

3-1-1988

## Business Outlook, Vol. 4, No. 3, Spring 1988

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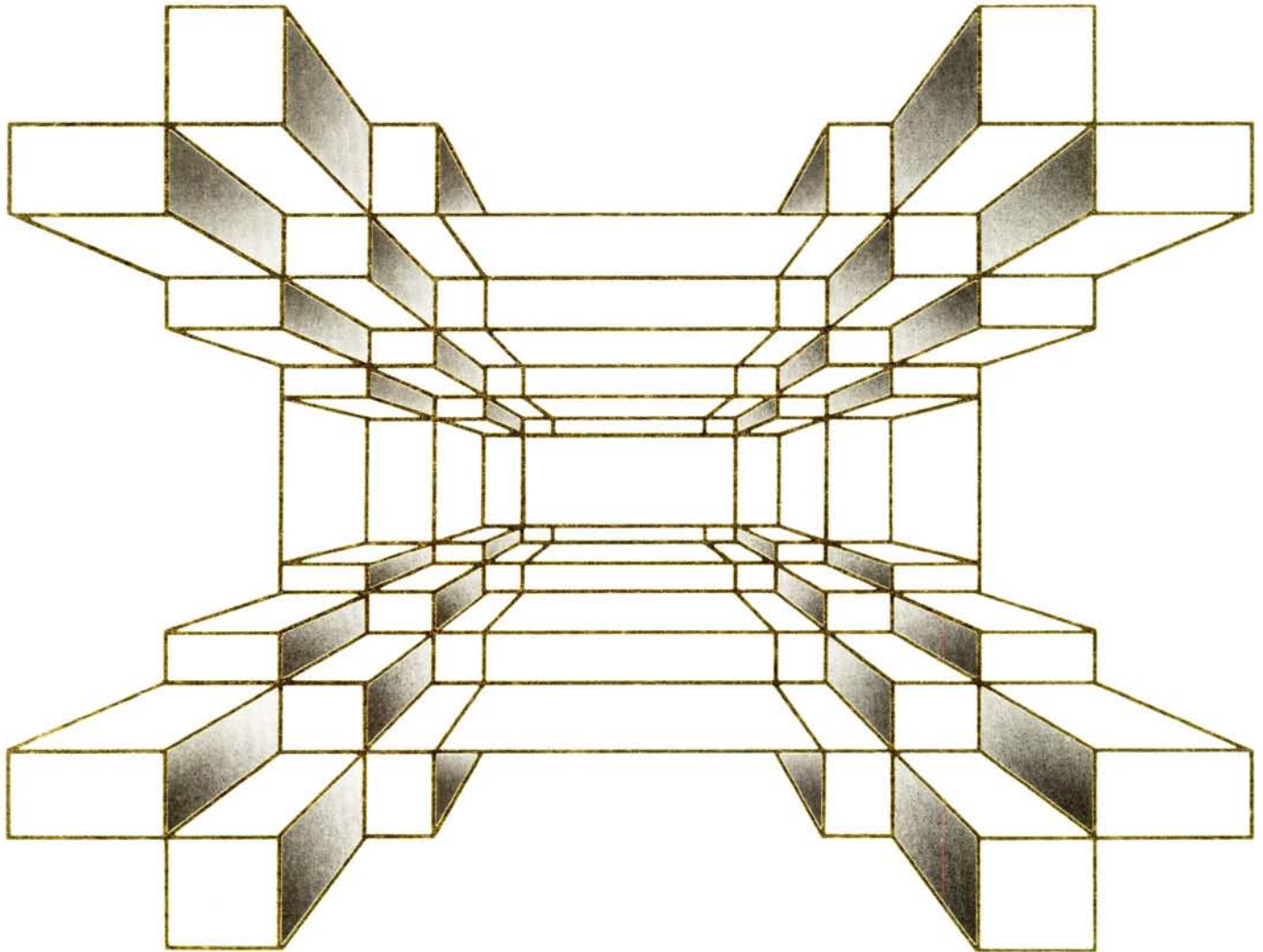
### Citation

W.E. Upjohn Institute. 1988. Business Outlook for West Michigan 4(3).  
[https://research.upjohn.org/bus\\_outlook/vol4/iss3/1](https://research.upjohn.org/bus_outlook/vol4/iss3/1)

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# BUSINESS OUTLOOK

FOR WEST MICHIGAN



## Forecast:

- West Michigan Runs with the Nation as the State Stumbles

## Feature Articles:

- Summer Job Programs for Youths
- Construction Firms Optimistic About '88

# **W. E. UPJOHN INSTITUTE for Employment Research**

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*BUSINESS OUTLOOK for West Michigan* is published four times a year by the W. E. Upjohn Institute for Employment Research. The Institute, a nonprofit research organization, is an activity of the W. E. Upjohn Unemployment Trustee Corporation, which was formed in 1932 for the purpose of carrying on "research into the causes and effects of unemployment and measures for the alleviation of unemployment."

# BUSINESS OUTLOOK FOR WEST MICHIGAN

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*Volume IV, Number 3, Spring 1988*

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# The BUSINESS OUTLOOK

## DISCUSSION PAPER

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### Summer Job Programs for Youths

Robert A. Straits

Editor's Note: *The research division of the Upjohn Institute publishes Business Outlook to provide information about West Michigan's economy that would otherwise be difficult to obtain. We pursue similar objectives at the state and national level. For example, in the Summer 1986 issue we presented an analysis of how employers would meet their changing demands for trained workers which was prepared for a national panel on technology and employment. Similarly, in the Winter 1987 issue we discussed plant closing research generated from our grant program. Business Outlook readers might not be as aware of the activities of the Institute's operational division, however.*

*The operational division is the prime sponsor for government training programs in our Service Delivery Area, Kalamazoo and St. Joseph counties. In 1987 the operational division had a budget of over \$4.1 million, making it considerably larger than the research division. Most of the funds for this program came from Title IIA (two-A) of the federal Job Training Partnership Act (JTPA). About two-thirds of the money was spent to assist low-income adults find and hold good jobs. About one-third of the funds was spent on employment programs for low-income youths. Robert Straits, director of the operational division, discusses the youth programs in greater detail below.*

A summer job program for disadvantaged youths was a major element of the "War on Poverty" from its inception in 1965. Unlike many such programs, today's successor to the original Neighborhood Youth Corps has maintained its popularity, its basic structure, and its funding. Arguably, the program has persevered because it unambiguously achieved two goals: (1) placing large numbers of youths from low-income families into summer jobs, and (2) providing resources that community agencies effectively use to expand services. Further, there is a widespread belief that the program reduces street crime by providing an alternative source of income and activities for youths, and by producing tangible results in which both the youths and the communities can take pride.

On the other hand, it is questionable whether the program has improved the prospects of participants for completing school or obtaining better permanent jobs. New emphasis

on remedial education and counseling, however, may improve its performance in those areas.

#### Current Summer Job Programs

This year, Michigan will disburse nearly \$32 million in federal funds and \$20 million in state funds to local Service Delivery Areas to provide work experience for 38,000 Michigan youths (Table 1).

**Table 1**  
**Summer Youth**  
**Michigan**

Michigan Youth Corps (State)		
Year	Allocation	Participants
1983	39.4 million	28,349
1984	17.4 million	16,453
1985	15.9 million	14,690
1986	15.0 million	13,700
1987	30.0 million	22,000
1988	20.0 million	14,500*

Federal JTPA Title IIB		
Year	Allocation	Participants
1984	40.2 million	30,157
1985	37.8 million	28,357
1986	32.5 million	24,381
1987	28.8 million	21,605
1988	32.3 million	23,698*

\* Estimate.

The federal program funded under Title IIB of the Job Training Partnership Act (JTPA) is a decentralized program which allows localities to use funds for a wide range of activities, including outreach, employment counseling, employability assessment, occupational training, and basic and remedial education.

Operationally, jobs are created at educational institutions, nonprofit agencies and governmental units. The pay is the

minimum wage (\$3.35 an hour in 1988), generally for at least 30 hours per week. Job sites are selected on the basis of the type of work, proposed supervisory structure, number of positions, and equipment available, as well as past performance. Youths must be from families with incomes below the poverty line, which is currently \$12,460 for a family of four. Child labor laws are strictly adhered to, limiting employment of youths under 16.

Since the inception of JTPA in 1982, the summer youth program has increased emphasis on developing work maturity (e.g., grooming, punctuality), improving on-site supervision, and providing transferable on-the-job skills. In the Kalamazoo-St. Joseph SDA, counselors supplement instruction provided by worksite supervisors. The maximum ratio of subcontractor supervisors to youths is 1 to 35. Fiscal management and administration have also improved under JTPA.

Beginning in 1987, remedial education became a federal summer program requirement. This was the outgrowth of national attention to the increasing numbers of functional illiterates and high school dropouts. Wages, however, are tied to hours worked and cannot be paid for attending remedial education classes. To circumvent this limitation, some SDAs provide bonuses to reward youths who pass educational achievement tests.

The state program, the Michigan Youth Corps (MYC), is the largest state-funded summer jobs program in the nation. Over 95,000 young people have been employed through the MYC since it was established in 1983. The MYC program is open to unemployed Michigan residents between 18 and 21 years of age. Heads of households are given priority.

MYC workers earn \$3.35 an hour in full-time jobs, except for youths in supervisory positions who can earn up to \$5.50 an hour. Jobs last an average of 10 weeks. As in the federal program, these jobs are sponsored by units of government, educational institutions, and nonprofit agencies.

Unlike the federal JTPA summer program, MYC is not restricted to those in poverty, and there is a concerted effort to help youths find private sector jobs. In fact, the MYC is promoted as the employer of "last resort." The state has pledged to employ every young person who wants a job and is willing to work hard, but cannot find a job elsewhere. Operationally, SDAs are expected to refer young job-seekers to private sector job openings before placing them in a public sector job. In the Kalamazoo-St. Joseph SDA, the Michigan Employment Security Commission maintains job information stations at MYC enrollment centers.

## **Evaluation of Current Programs**

A fair question to ask about summer youth programs (or any expenditure of public funds) is: What do the beneficiaries and the taxpayers get for the expenditures? As discussed above, the program can provide three important benefits: It can

- (1) enhance the provision of public goods and services.
- (2) increase income equality, reduce social tension and crime.
- (3) enhance employability by providing transferable skills or incentives to stay in school.

### ***Providing Public Service***

There is little question that the summer youth programs enable the governmental and nonprofit agencies that participate to perform duties that would not otherwise be accomplished, such as picking up litter along highways, building bike paths, and clearing public land. In other cases, the programs have permitted work to be performed by youths, such as painting park benches, building book shelves, updating inventories, and cleaning schools, which would otherwise require substantial expenditures. This type of help allows agencies to stretch their tight budgets and expand services elsewhere. Thus, in general, the activities go beyond "make-work" and provide services the average citizen can appreciate. This tendency has been enhanced by the reliability of funding, which has permitted agencies to plan their use of the summer workers more carefully.

One reason for the widespread belief in the worthiness of these activities is that the governmental and nonprofit agencies that participate do not get a "free-ride." They must bear the costs of providing trained supervisors to direct the youths and pay for needed equipment and material. In addition, they bear the risk that, if they fail to establish discipline and provide suitable work, the lack of maturity and poor work habits of some of the participants will result in poor performance of the group as a whole.

### ***Reducing Social Tension***

Earlier federal programs, such as the Neighborhood Youth Corps, were created in response to social and economic conditions facing the nation in the 1960s. These programs reduced social tension by providing income to poor families and constructive work to youths, particularly those in urban ghettos.

Similarly, MYC was created in response to the serious social and economic conditions facing cities, primarily in the

eastern portion of the state, in the early 1980s. Michigan was experiencing double-digit unemployment rates. Generally, youth unemployment is double the overall unemployment rate, and minority youth unemployment is double the youth rate. It was clear that the federal summer youth programs did not provide sufficient funds to meet Michigan's jobless youths' needs. Also, the federal program was restricted to the poor, and therefore missed a large segment of the Michigan population faced with difficult adjustment due to dislocations in the auto industry.

Again, there is little question that there is a real need for a program that will help youths from low-income families to find productive summer work. Most of the youths in the program would not locate jobs on their own. In addition, the program is exceptionally large so it can make a significant difference in local youth unemployment. Thus, the program is widely regarded as providing a valued source of income in low-income areas and tangible evidence that society is not indifferent to the social problems of youth unemployment. It is worth noting (and may come as a surprise) that, under the Reagan administration, JTPA Title IIB programs reached 743,700 individuals in 1986, about the same number of people served by similar programs at the height of the War on Poverty. In addition, 1986 per person expenditures (in real terms) were only 84 percent lower than 1972 expenditures.

### ***Enhancing Employability***

The summer programs traditionally emphasized providing income supplements and "fire/theft insurance." Emphasis has recently expanded to include reducing illiteracy and dropout rates, as well as preparing young people for the changes in the nature of today's jobs.

Some studies indicate that youth work-experience increases the earnings and job retention of participants when combined with remedial education or skill training, while others document the salutary effect of early labor market success on long-term employability. We really don't know what the effect of the summer programs are on performance in school and on-the-job, however. It is possible that the emphasis on keeping kids off the streets and redistributing income reduces pressure to deliver more substantive, long-run results. Unless a concerted, carefully planned effort is made, it is unlikely that summer jobs will help reduce illiteracy and lower the number of high school dropouts.

There is evidence that the summer months are a crucial time to increase literacy and prevent dropping out. First, disadvantaged youths appear to lose many of the educational

gains they achieved during the school year over the summer. Second, the summer is the logical time to help teens who have fallen behind catch up. Increasing youths' educational attainment obviously is essential, since most dropouts have performed poorly in school and may perceive that there is little reason to remain there.

Amending JTPA to require remedial education broadened the program and addressed some longer-run concerns. Restricting funds to pay for time worked, however, severely limits the incentives of youths to participate in remedial education activities. Also, the youth programs might be much more effective if operated year-round. A year-round program could offer the "carrot" of sustained employment to youths who remain in school and get good grades. In addition, a continuing program might induce a broader range of agencies to participate, encourage participants to provide more relevant training, and expand services on a year-round basis.

### **Summary**

Youths applaud the MYC experiences, according to a 1987 Lou Harris and Associates survey. Of the youths contacted, 96 percent praised the Youth Corps for getting them ready to cope with work rules and job expectations, while an equal number thought the Youth Corps prepared them well for dealing with fellow workers.

In spite of the positive survey findings and a number of obvious strengths, the total value of summer programs is not known. One problem is that the program's value largely depends on the importance attached to multiple and often conflicting goals. The primary problem, however, is that there is little unequivocal evidence on the effectiveness of summer youth programs in confronting basic problems of obtaining the education and work experience required in the eighties.

The need for research is evident. At present we know far too little about the influence of short-term summer work experience on future earnings, school attendance and achievement, self-esteem and responsibility, or job retention. Even with this information, policymakers and the public must also establish clear goals. At present, the programs provide valued income to many low-income families, increase government services which benefit most citizens, and probably reduce street crime. Considering the millions of dollars invested in these programs each year, however, we need to know if more careful planning and modest administrative changes would enable us to substantially reduce the growing number of young people who are ill-prepared for the rapidly changing, often complex, nature of jobs.





# The BUSINESS OUTLOOK

## DISCUSSION PAPER

### Construction Firms Optimistic About '88

George A. Erickcek

In January, the Upjohn Institute surveyed the Greater Kalamazoo Builders Exchange membership to get their views on the strength of the construction market in 1987 and predictions for 1988. Most members work on commercial and industrial projects throughout southwestern Michigan and anticipate that this year's activity in those sectors will at least match that of last year. If these views are accurate, local construction in those sectors should exceed average nationwide performance.

#### *Nationwide*

The U.S. Department of Commerce predicts that the value of new construction put in place in 1988 will be \$344.5 billion (in 1982 dollars).<sup>1</sup> This is just \$0.5 billion above 1987 levels. As shown in Table 1, residential construction is predicted to increase \$2.3 billion, primarily due to a \$2.6 billion jump in home improvements. Public works construction is

**Table 1**  
**Value of New Construction Put in Place Nationwide**

Type of construction (in billions of 1982 dollars)	1987	1988	Absolute change	Percent change
Total .....	344.0	344.5	0.5	0.1
Residential .....	171.9	174.2	2.3	1.3
Single family .....	97.5	99.5	2.0	2.1
Multifamily .....	22.4	20.2	-2.2	-9.8
Home improvement .....	52.0	54.6	2.6	5.0
Private nonresidential .....	106.1	102.5	-3.6	-3.4
Manufacturing facilities .....	10.5	11.0	0.5	4.8
Office .....	20.5	17.4	-3.1	-15.1
Commercial .....	28.5	27.4	-1.1	-3.9
Institutional .....	10.1	10.5	0.4	4.0
Transportation & utilities .....	30.1	29.9	-0.2	-0.7
Miscellaneous structures .....	6.4	6.3	-0.1	-1.6
Public works .....	66.0	67.8	1.8	2.7
Housing & redevelopment .....	1.4	1.4	0.0	0.0
Educational .....	7.4	7.8	0.4	5.4
Hospital .....	1.8	1.9	0.1	5.6
Highways .....	19.6	20.2	0.6	3.1
Miscellaneous structures .....	35.8	36.5	0.7	2.0

SOURCES: U.S. Department of Commerce, Bureau of the Census, and International Trade Administration.

**Table 2**  
**Level of Construction Activity in Select Market Areas**

	1987		1988	
	Number of respondents	Average score*	Number of respondents	Average score*
Residential:				
Remodeling . . . . .	16	2.9	15	3.1
New single family . . . . .	17	3.3	17	3.5
New multifamily . . . . .	18	3.1	18	3.1
Commercial . . . . .	42	3.9	41	3.9
Industrial . . . . .	35	3.3	34	3.4
Road/public works . . . . .	11	2.7	11	2.9

\* 1=very slow; 2=slow; 3=average; 4=active; 5=very active.

**Table 3**  
**Level of Construction Activity in Select Geographical Areas**

	1987		1988	
	Number of respondents	Average score*	Number of respondents	Average score*
Battle Creek . . . . .	37	3.3	38	3.3
Benton Harbor . . . . .	28	2.0	30	2.2
Kalamazoo . . . . .	44	3.8	45	3.9
Grand Rapids . . . . .	24	4.3	25	4.4
Muskegon . . . . .	17	2.7	17	2.8

\* 1=very slow; 2=slow; 3=average; 4=active; 5=very active.

predicted to increase by \$1.8 billion. These increases, however, will be offset by a \$3.6 billion decline in private nonresidential construction. In particular, office and commercial construction are predicted to continue to slide, and should fall by \$4.2 billion. Changes in federal tax laws and high vacancy rates in the South and Southwest are major factors behind these anticipated declines. The construction of manufacturing facilities is anticipated to increase slightly by \$0.5 billion.

### **Local Sentiment**

On average, members of the Greater Kalamazoo Builders Exchange who responded to the survey spent 80 percent of their 1987 work-effort on commercial or industrial projects, and only 17 percent on remodeling or constructing of residential units. Members anticipate little change for 1988.

As shown in Table 2, the respondents foresee 1988 to either be more active or equally active as 1987 in every category of construction. Commercial construction is expected to remain at 1987 levels, but maintain its position as the most active sector, with an exceptionally high score of 3.9. (Throughout this article, scores are averages of responses made on a scale of 1 to 5. The lowest score is 1—either very slow or least important—and the highest score is 5—either very active or most important.)

As shown in Table 3, construction activity is expected to pick up in four of the five West Michigan metropolitan areas in 1988. In Battle Creek, however, activity is predicted to maintain its above-average performance, but show little growth. Construction activity is expected to be especially brisk in Grand Rapids this year, and to remain strong in Kalamazoo.

The respondents were more bullish about the performance of their own firm in 1987 and their anticipated 1988 performance than they were about the activity in each sector and area. Again using scales from 1 to 5, the average scores for their own firms' performance was 4.1 and 4.2, in 1987 and 1988, respectively.

When asked about what economic factors will be the most important to the construction industry in 1988, interest rates ranked number one by a wide margin. As shown in Table 4, interest rates scored 4.7, while inflation and wage rates, the next two highest factors, only scored 3.7 and 3.6, respectively.

**Table 4**  
**The Importance of Selected Economic Factors on Construction Activity**

Factors	Number of respondents	Average score*	Rank
Interest rates	47	4.7	1
Inflation	46	3.7	2
Wage rates in construction	44	3.6	3
Building material prices	47	3.3	4
Local rate of unemployment	44	3.3	5
Local population growth	46	3.2	6

\* 1 = not important to 5 = very important

Finally, as shown in Table 5, among selected public policy measures, increased state and local economic development efforts ranked first as to their importance to construction ac-

tivity. Reenactment of commercial tax abatements, which were discontinued at the end of 1985, placed second. Zoning laws were not found to be overly restrictive on construction activity.

**Table 5**  
**The Importance of Selected Local and State Policy Measures on Construction Activity**

Area of change	Number of respondents	Average score*	Rank
Increased state & local development efforts	43	4.1	1
Reenact commercial/retail tax abatements	39	3.6	2
Elimination of industrial tax abatements	41	3.5	3
Less strict zoning laws	42	2.8	4

\* 1 = not important to 5 = very important

*Business Outlook* would like to thank the members of the Greater Kalamazoo Builders Exchange who took the time and trouble to respond to the questionnaire and to welcome feedback from the readers on the usefulness of this information.

#### NOTE

1. U.S. Department of Commerce, International Trade Administration, 1988 *U.S. Industrial Outlook* (Washington, D.C.: Government Printing Office, 1988).

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# The BUSINESS OUTLOOK for WEST MICHIGAN

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## West Michigan Runs with the Nation as the State Stumbles

George A. Erickcek

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Total employment in West Michigan grew a solid 1.1 percent in the first quarter of 1988. Employment increased 0.7 percent in manufacturing, and 1.7 percent in nonmanufacturing. Statewide, total employment fell 1.4 percent. It was pulled down by a dramatic 3.0 percent drop in manufacturing employment due to sharp declines in Southeast Michigan. In West Michigan, slower growth is predicted, although the surprising strength of the national economy may provide a helping hand.

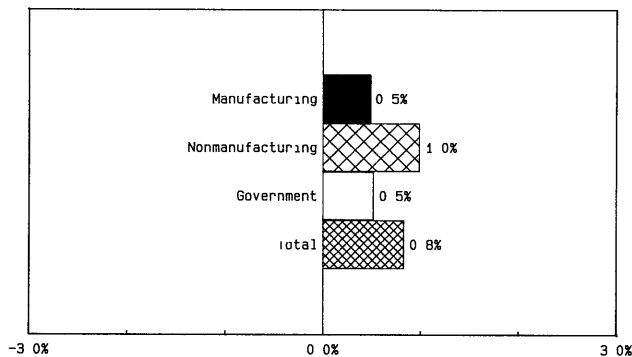
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### Review and Outlook

#### *The National Setting*

The Gross National Product (GNP) grew at a strong 3.9 percent annual rate in the first quarter of 1988. Although below its remarkable 4.8 percent annual rate recorded in the fourth quarter of 1987, the GNP's first quarter performance showed surprising strength in both consumer spending and business investment.

**Chart 1**  
**United States Employment**  
**Percentage Change, First Quarter 1988**



SOURCE: Based on U.S. Department of Labor data.

Consumer demand shot up in the first quarter of 1988. Consumption expenditures grew at a strong 4.3 percent annual rate, rebounding from a 2.5 percent decline in the fourth quarter of 1987. Durable goods expenditures jumped 13.3 percent in the first quarter, recovering from a 20.3 percent plunge in the previous quarter. Strong auto sales have

caused U.S. auto makers to increase output: a 9.6 percent increase over year-ago figures is predicted for the second quarter of 1988.

Increased consumer spending was spurred by a 3.9 percent increase in disposable personal income, and a slight drop in personal savings from the already low rate of 4.8 percent of personal income in the last quarter of 1987 to 4.2 percent in the first quarter of 1987.

Business investment grew at a robust 20.8 percent annual rate in the first quarter. Outlays for producers' durable equipment expanded at an outstanding 32.9 percent annual rate, well above the negative fourth-quarter rate of 0.9 percent. Outlays for the building of structures, however, dropped 6.6 percent.

Outlays for business investment such as machinery were spurred by severe capacity constraints in primary industries (steel, paper, chemicals, and plastics), and continued growth in factory orders which increased 12.3 percent in the first quarter over year-ago figures.

Eventually, increased investment should alleviate inflationary pressures which are clearly building as the result of strong domestic and export demand in the primary industries. Input prices increased for 70 percent of the firms surveyed by the National Association of Purchasing Managers, while only 1 percent of those surveyed saw prices decline. The recent rise of the prime rate from 8.5 percent to 9.0 percent was partially the result of the Federal Reserve tightening the money supply in the hope that this will stop inflationary pressure from spreading to more advanced industries, which currently have excess capacity.

**Table 1**  
**Michigan (Statewide) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
Employment:					
Manufacturing .....	928,360	956,920	-3.0	983,960	-5.7
Nonmanufacturing .....	2,165,710	2,148,450	0.8	2,088,070	3.7
Government .....	623,910	618,660	0.8	595,620	4.7
Total .....	4,093,650	4,152,610	-1.4	4,130,020	-0.9
Unemployment:					
Number unemployed .....	403,640	357,070	13.0	362,720	11.3
Unemployment rate .....	9.0	7.9	1.1	8.1	0.9
State indexes:					
Help-wanted ads:					
Detroit .....	168	170	-1.2	181	-7.2
West Michigan (5 MSAs) .....	278	265	4.9	246	13.2
Leading indicators (statewide) .....	146	154	-5.2	156	-6.7
State components:					
Average weekly hours .....	42.1	42.4	-0.8	42.6	-1.2
UI initial claims .....	19,032	15,967	19.2	17,375	9.5
New dwelling units <sup>a</sup> .....	36,832	40,474	-9.0	48,873	-24.6

SOURCES: W. E. Upjohn Institute for Employment Research. Based on dwelling data from F. W. Dodge Division, McGraw Hill Information Systems Company, help-wanted index from The Conference Board and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. New dwelling unit data are seasonally adjusted annual rates

**Table 2**  
**West Michigan (5 MSAs) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
Employment:					
Manufacturing .....	180,860	179,630	0.7	176,940	2.2
Nonmanufacturing .....	342,040	336,250	1.7	325,750	5.0
Government .....	77,040	77,470	-0.6	75,550	2.0
Total .....	599,940	593,350	1.1	578,240	3.8
Unemployment:					
Number unemployed .....	47,110	41,340	14.0	46,440	1.4
Unemployment rate .....	7.0	6.2	0.8	7.1	-0.1
Local indexes:					
Help-wanted ads .....	278	265	5.1	246	13.2
Leading indicators .....	147	149	-1.9	142	3.5
Local components:					
Average weekly hours .....	41.0	41.2	-0.5	41.1	-0.2
UI initial claims .....	2,378	2,134	11.5	2,355	1.0
New dwelling units <sup>a</sup> .....	8,304	8,010	3.7	7,177	15.7

SOURCES: W. E. Upjohn Institute for Employment Research. Based on dwelling data from F. W. Dodge Division, McGraw Hill Information Systems Company, ad counts from five daily newspapers and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. New dwelling unit data are seasonally adjusted annual rates.

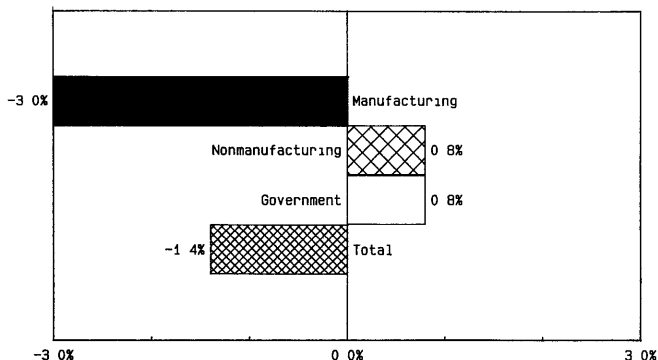
M1 (currency and demand deposits) grew just 3.9 percent, and M2 (M1 plus savings deposits) increased only 4.1 percent in the 12-month period ending 31 March 1988. In sharp contrast, M1 expanded 16.8 percent and M2 grew 9.5 percent in the previous 12-month period.

Wages have risen more slowly than prices, so far. Average hourly earnings grew just 3.1 percent for the 12 months ending in March 1988, while the consumer price index rose 3.9 percent over the same period.

The first quarter also saw an outstanding improvement in our trade balance. Imports grew at a 3.4 percent annual rate, while exports increased a dramatic 20.7 percent. Net exports jumped 12.3 percent, causing the nation's trade deficit to shrink at an annual rate of \$16.7 billion. Despite two quarters of improvement, imports still exceed exports by about 25 percent.

Growth in imports stems from increased consumer spending and business investment. Consumer goods, including autos but excluding petroleum, account for 31 percent of all merchandise imports. Capital goods (excluding autos) make up an additional 26 percent. The difference between capital and consumer imported goods is important: while the purchase of imports by consumers does not further domestic production, the purchase of foreign-made capital goods expands our production capacities and enhances our long-run competitiveness. In fact, our importation of capital goods may curtail our future consumption of foreign goods, as our production facilities become more efficient and the quality of our goods improve. In the first quarter of 1988, the value of industrial durable goods imports grew at an annual rate of \$40.3 billion, compared to \$37.6 billion (1982 dollars) in 1987.

**Chart 2**  
**Michigan Employment**  
**Percentage Change, First Quarter 1988**



SOURCES: Based on U.S. Department of Labor and Michigan Employment Security Commission data.

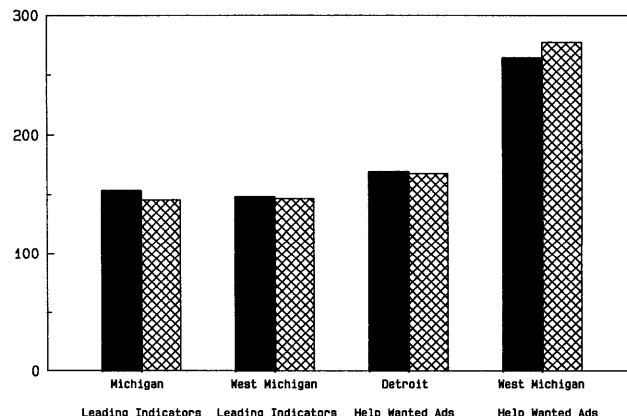
The unexpectedly robust performance of the national economy motivated the contributors to the *Blue Chip Economic Indicators* to raise their predictions of 1988 GNP growth to a solid 3.0 percent.

Business inventories, which grew dramatically in the last quarter of 1987, decreased only slightly in the first quarter of 1988. The first quarter's ratio of nonfarm inventories to final sales declined just one cent to \$2.92 (1982 dollars) from the fourth quarter's ratio. Liquidating these inventories may cause slower growth in the coming quarter.

### **The State of Michigan**

Repercussions from last year's auto layoffs clobbered the Michigan economy in the first quarter of 1988. Employment in manufacturing fell a dramatic 3.0 percent. Although employment in the nonmanufacturing and government sectors each grew 0.8 percent, total employment in the state dropped 1.4 percent. Unfortunately, we predict that the full impact of last year's layoffs has not yet been felt and foresee sluggish growth in the state in the coming months.

**Chart 3**  
**Michigan and West Michigan Indexes**  
**Fourth Quarter 1987 and First Quarter 1988**  
(1982=100)



The state's unemployment rate rose to 9.0 percent in the first quarter of 1988 from 7.9 percent in the fourth quarter of 1987.

The state's Index of Leading Indicators fell 5.2 percent in the first quarter after increasing 1.5 percent in the previous quarter. All three statewide indicators deteriorated in the quarter. Average weekly hours of production workers declined 0.8 percent after rising 2.0 percent in the fourth quarter of 1987. The number of initial claims for unemployment insurance shot up 19.2 percent in the first quarter. Finally, the number of new dwelling units put under contract declined 9.0 percent.

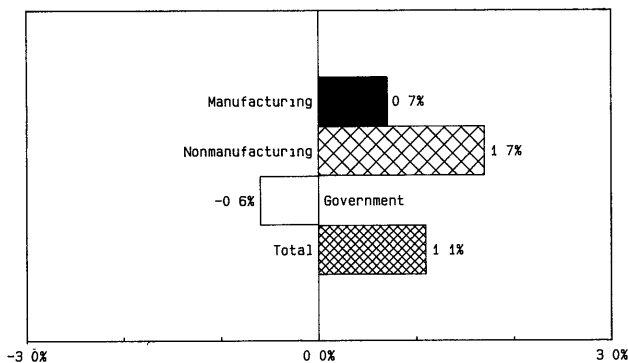
After two straight quarters of no growth, the Detroit Help-Wanted Advertising Index finally fell 1.2 percent, suggesting that the nonmanufacturing sector has not yet fully felt the impact of last year's layoffs.

This year's unanticipated growth in auto sales should help stabilize manufacturing employment in Michigan. A 9.6 percent increase in auto output relative to year-ago figures is planned for the second quarter of 1988, and preliminary plans are for a 5.9 percent increase in the third quarter relative to last year's third quarter.

### Outlook for West Michigan

Total employment grew a healthy 1.1 percent in West Michigan in the first quarter of 1988. Employment in non-manufacturing grew a respectable 1.7 percent. Manufacturing employment increased 0.7 percent, on top of a 1.0 percent increase in the previous quarter. Government employment dropped 0.6 percent.

**Chart 4**  
**West Michigan Employment**  
**Percentage Change, First Quarter 1988**

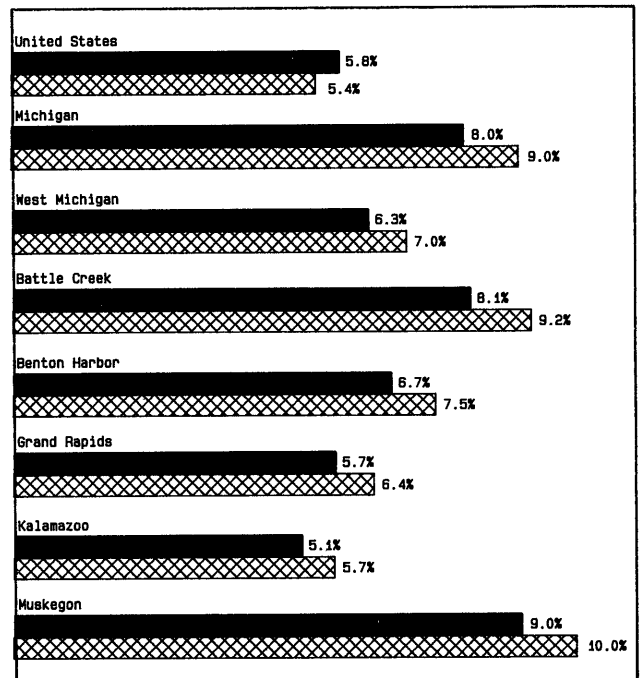


SOURCE: Based on Michigan Employment Security Commission data for 5 MSAs in West Michigan.

The unemployment rate for the five metropolitan areas in West Michigan rose 0.8 percentage points to 7.0 percent in the first quarter. In contrast, the rate fell 0.5 percentage points in the fourth quarter. We suspect, however, that this increase is due to an overestimate of the true unemployment rate in the first quarter.

The Michigan Employment Security Commission's local unemployment statistics are computed using a small sample and are subject to considerable sampling error. The computations for January showed an unusually large jump, which was not echoed by a decline in employment. This suggests that sampling error was the primary cause of that increase. In contrast, March unemployment rates are slightly below those for the fourth quarter of 1987.

**Chart 5**  
**Unemployment Rates**  
**Fourth Quarter 1987 and First Quarter 1988**



West Michigan's Index of Leading Indicators fell 1.9 percent in the first quarter, nearly cancelling its 2.2 percent rise in the previous quarter. The Index was pulled down by a 0.5 percent decline in the average weekly hours of production workers and a significant 11.5 percent increase in the number of initial claims for unemployment insurance. The final local component of the Index, number of new dwelling units put under contract, rose 3.7 percent. Slow growth is predicted for the area's manufacturers, especially its auto suppliers.

The Index of Help-Wanted Advertising for West Michigan bounced back in the first quarter, after declining 1.1 percent in the last quarter of 1987. The Index jumped up 5.5 percent in the first quarter, pointing to continued employment growth in the nonmanufacturing sector.

There continue to be sharp differences in trends of the West Michigan versus the Michigan predictive indexes and economic performance. Over the last year, manufacturing employment expanded 2.2 percent in West Michigan, while it declined 5.7 percent statewide. This suggests that the two economies are not particularly closely linked. Fortunately for us in West Michigan, our economy appears to be more closely linked to national trends.

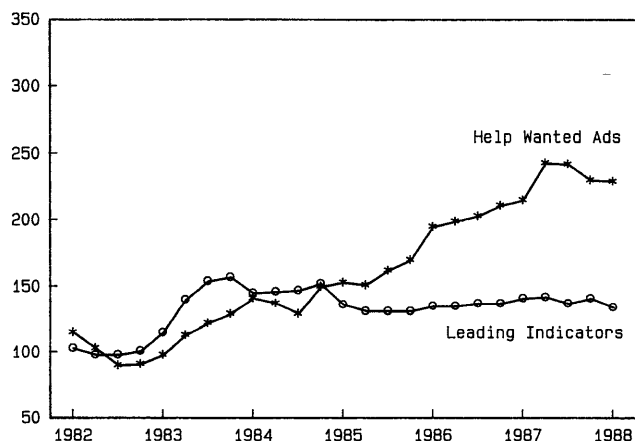


# The BUSINESS OUTLOOK for the BATTLE CREEK MSA

Total employment increased a healthy 1.4 percent in the Battle Creek MSA. Employment declines in manufacturing and government were offset by a robust increase in non-manufacturing employment. We foresee growth slowing in the coming months.

Nonmanufacturing employment increased a remarkable 3.0 percent in the first quarter of this year. Over the past four quarters, employment in nonmanufacturing grew a healthy 6.3 percent. Retail trade and services saw the largest increases in employment.

**Chart BC-1**  
**Battle Creek Indexes**  
**by Quarter - First of 1982 to First of 1988**  
(1982=100)

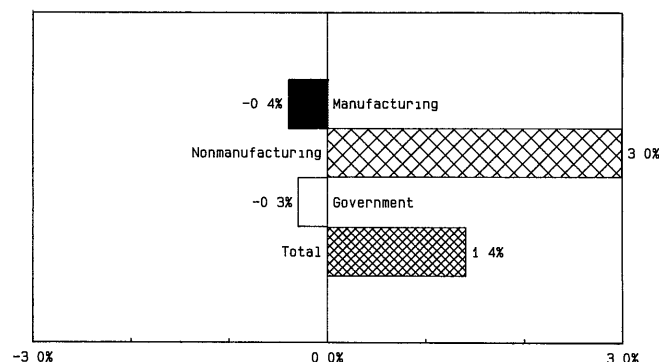


Manufacturing employment fell 0.4 percent in the first quarter, on top of a 1.1 percent decline in the last quarter of 1987. Government employment also declined in the first quarter, completely offsetting the 0.3 percent increase it experienced in the previous quarter.

The number of unemployed individuals shot up 16.2 percent over the previous quarter's figure and the area's unemployment rate climbed to 9.2 percent. We suspect,

however, that sampling error has caused these statistics to overstate the true change in unemployment.

**Chart BC-2**  
**Battle Creek Employment**  
**Percentage Change, First Quarter 1988**



SOURCE: Based on Michigan Employment Security Commission data. Seasonally adjusted by the Institute.

The area's Index of Leading Indicators fell 5.0 percent in the first quarter, as all three local components of the Index weakened. Average weekly hours of production workers fell 4.1 percent; initial claims for unemployment insurance jumped up 15.2 percent; and the number of new dwelling units put under contract declined 4.7 percent. Such an across-the-board downturn of the local components clearly indicates a high probability of a slowdown in the area's goods-producing sector in the coming months.

The Index of Help-Wanted Advertising fell a modest 0.4 percent in the first quarter, on top of a 5.9 percent decline in the previous quarter. Two consecutive declines are unusual and provide further evidence that growth will slow.

Recently, there have been major gyrations in Battle Creek's retail sector. In February, a 400,000 square-foot shopping mall was proposed on Beckley Road, but to the relief of many existing retailers, the proposal was scrapped due to lack of demand. Within weeks, however, plans were unveiled for a 40,000 square-foot Riverwalk Centre to be built in conjunction with the Kellogg Foundation's new \$15 million downtown headquarters. Shortly thereafter, Robinson's, the

last department store in downtown Battle Creek, announced it would close due to lack of sales. This announcement forced the Riverwalk Centre developers to put their plans on hold.

Grouping stores at one location can generate a synergistic effect, where the combined sales are greater than if the stores

located separately; but generally, shifting store locations is a zero-sum game in which customer convenience can be enhanced, but areawide sales remain constant. The two outstanding exceptions to this general rule are mail-order operations and unique retail areas, such as Frankenmuth-Christmas Town U.S.A., or Michigan City, Indiana—a regional discount and manufacturing outlet center.

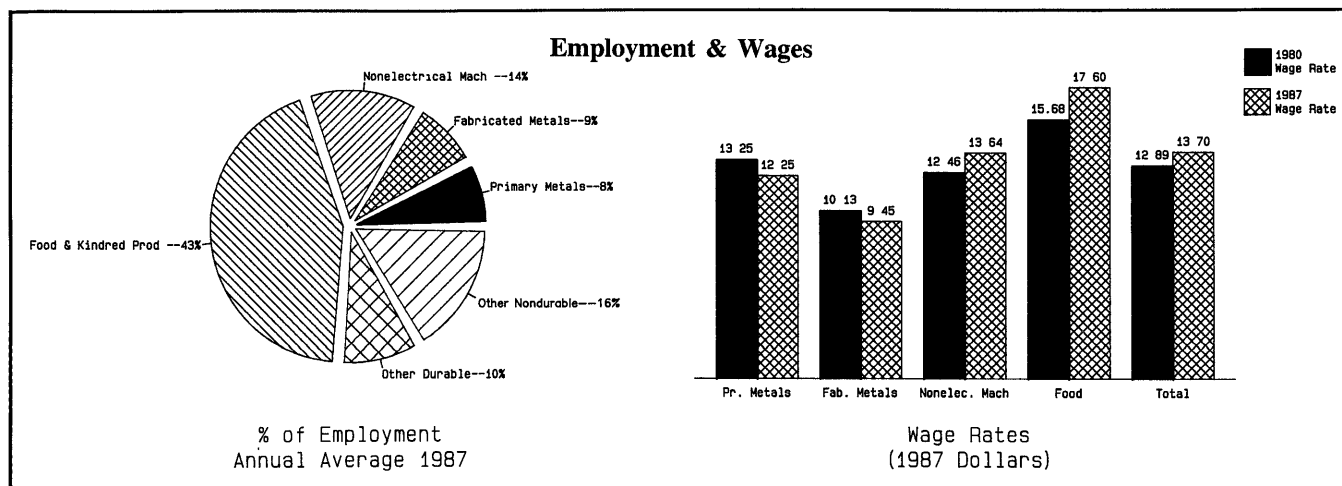
**Table BC-1**  
**Battle Creek (Calhoun County) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
<b>Employment:</b>					
Manufacturing .....	15,390	15,450	-0.4	15,430	-0.3
Nonmanufacturing .....	30,570	29,680	3.0	28,750	6.3
Government .....	11,460	11,490	-0.3	11,410	0.4
Total .....	57,420	56,620	1.4	55,590	3.3
<b>Unemployment:</b>					
Number unemployed .....	5,940	5,110	16.2	4,730	25.6
Unemployment rate .....	9.2	8.0	1.3	7.6	1.6
<b>Local indexes:</b>					
Help-wanted ads .....	229	230	-0.4	215	6.5
Leading indicators .....	134	141	-5.0	141	-5.0
<b>Local components:</b>					
Average weekly hours ....	42.1	43.9	-4.1	43.2	-2.5
UI initial claims .....	357	310	15.2	295	21.0
New dwelling units <sup>a</sup> .....	152	160	-4.7	225	-32.3

SOURCES: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Battle Creek Enquirer* and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. New dwelling unit data are seasonally adjusted annual rates.

## AREA MANUFACTURING

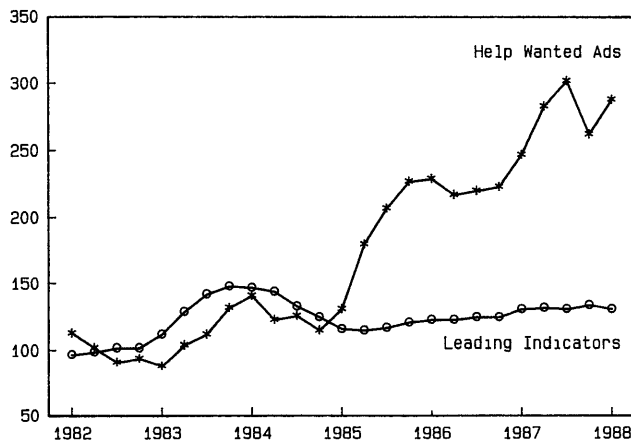


# The BUSINESS OUTLOOK for the BENTON HARBOR MSA

Total employment decreased 0.1 percent in the Benton Harbor MSA. Nonmanufacturing employment may pick up in the coming months, while manufacturing employment growth may slacken.

The slight, 0.1 percent, downturn in overall first-quarter employment was a result of a 0.4 percent drop in manufacturing employment and a 0.2 percent decline in government employment, which were almost offset by a 0.2 percent increase in nonmanufacturing employment.

**Chart BH-1**  
**Benton Harbor Indexes**  
**by Quarter - First of 1982 to First of 1988**  
(1982=100)

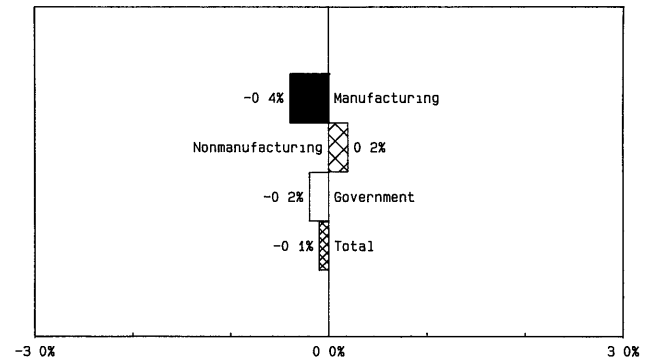


In the first quarter, the number of unemployed shot up 11.3 percent, and the area's unemployment rate increased 0.9 percent to 7.5 percent. As mentioned earlier, however, we believe these statistics overstate the change in unemployment due to sampling error.

The area's Index of Leading Indicators declined 2.2 percent in the first quarter. The movement of local components of the Index were mixed. The average weekly hours of production workers increased 3.0 percent and the number of new dwelling units grew a modest 1.0 percent. The number of initial claims for unemployment insurance, however,

jumped up 12.5 percent in the first quarter. The decline in the Index follows a modest 0.3 percent decline in the same Index in the fourth quarter of 1987.

**Chart BH-2**  
**Benton Harbor Employment**  
**Percentage Change, First Quarter 1988**



SOURCE: Based on Michigan Employment Security Commission data. Seasonally adjusted by the Institute.

Although the poor performance of the Index warns of slow growth in the area's goods-producing sectors, recent announcements by local manufacturers have been very encouraging. For example, Rollforge Incorporated, Woodstock Industries, Bendix Chassis and Brake Components, Gast Manufacturing Company, and Auto Specialties Manufacturing Company have all announced major expansion plans, which could create a total of approximately 600 new jobs.

The Index of Help-Wanted Advertising bounced back 9.9 percent in the first quarter of this year, after falling 8.5 percent in the last quarter of 1987.

The high-stakes bidding war for Roper Corporation, a manufacturer of electric and gas ranges, between Whirlpool and General Electric ended with both sides claiming victories. General Electric will purchase Roper's production facilities and Whirlpool is to be given cash and, more important, control of the Roper brand name. This decision will improve Whirlpool's marketing position with Sears, since the giant retailer features both Roper and Whirlpool products.

At the same time, Whirlpool eliminated 150 white-collar positions at its Benton Township headquarters as a part

of its restructuring process. One hundred persons will lose their jobs, as 50 of the positions were already vacant.

Finally, the major Elkon Plant project is proceeding in spite of land acquisition problems. The joint effort of the City of

Benton Harbor and Benton Township should be commended. It is estimated that 90 percent of the estimated 500 workers to be employed at the new auto production facility will be hired locally.

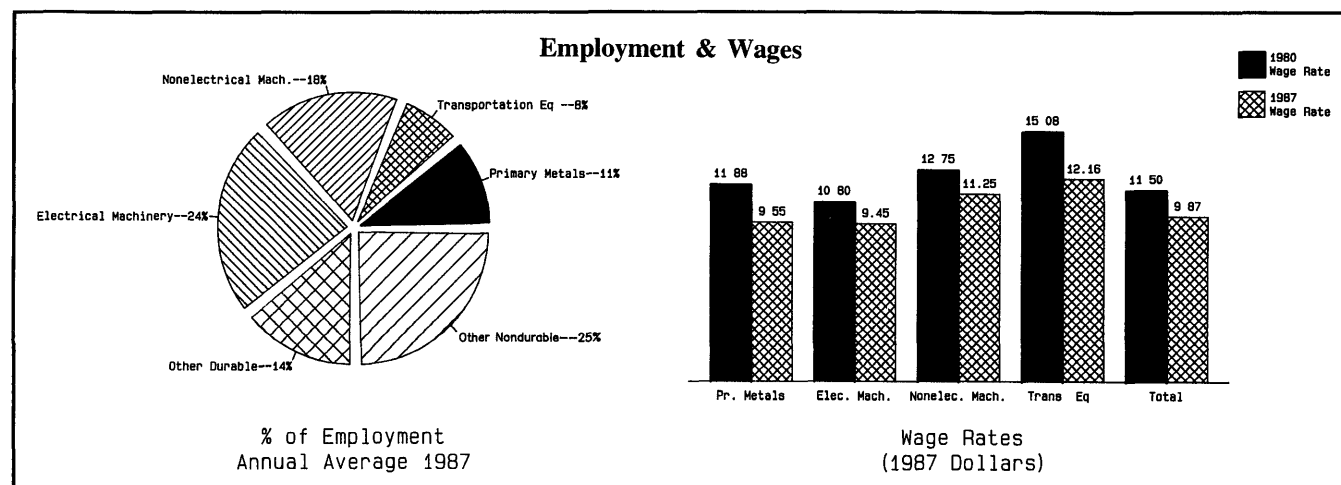
**Table BH-1**  
**Benton Harbor (Berrien County) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
<b>Employment:</b>					
Manufacturing . . . . .	21,420	21,500	-0.4	21,210	1.0
Nonmanufacturing . . . . .	34,250	34,190	0.2	32,820	4.4
Government . . . . .	8,490	8,510	-0.2	8,420	0.8
Total . . . . .	64,160	64,200	-0.1	62,450	2.7
<b>Unemployment:</b>					
Number unemployed . . . . .	5,790	5,200	11.3	5,900	-1.9
Unemployment rate . . . . .	7.5	6.7	0.9	7.8	-0.2
<b>Local indexes:</b>					
Help-wanted ads . . . . .	288	262	9.9	247	16.6
Leading indicators . . . . .	131	134	-2.2	131	0.0
<b>Local components:</b>					
Average weekly hours . . . .	41.1	40.0	3.0	40.3	2.1
UI initial claims . . . . .	253	224	12.5	242	4.2
New dwelling units <sup>a</sup> . . . . .	371	367	1.0	441	-15.8

SOURCES: W. E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Benton Harbor Herald Palladium* and employment data from Michigan Employment Security Commission. National components in Table A-3

a. New dwelling unit data are seasonally adjusted annual rates.

## AREA MANUFACTURING

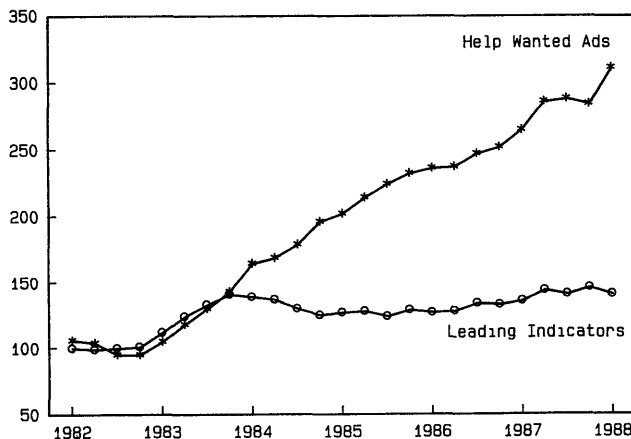


# The BUSINESS OUTLOOK for the GRAND RAPIDS MSA

*Employment in the Grand Rapids MSA (Kent and Ottawa Counties) grew a robust 1.7 percent in the first quarter of 1988. We expect nonmanufacturing employment to continue to enjoy health growth, but are a bit more cautious about the manufacturing sector.*

Employment in nonmanufacturing shot up 2.3 percent in the first quarter of 1988. Since the first quarter of 1987, employment in nonmanufacturing has grown 6.6 percent, led by the service, retail, and wholesale sectors. Employment in manufacturing also increased a strong 1.3 percent in the first quarter, building on a solid 1.4 percent fourth-quarter increase. Government employment fell 0.9 percent, nearly cancelling its 1.0 percent increase in the previous quarter.

**Chart GR-1**  
**Grand Rapids Indexes**  
**by Quarter – First of 1982 to First of 1988**  
(1982 = 100)

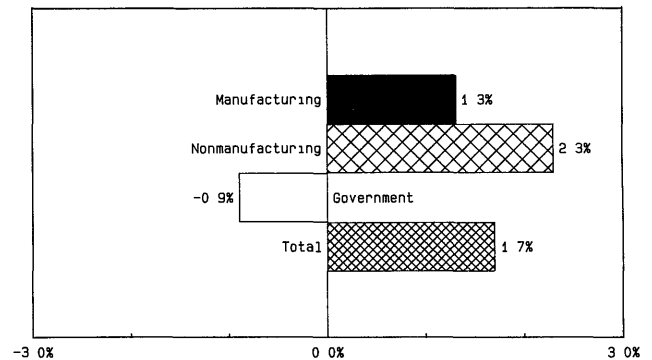


In spite of solid employment growth, the reported number of individuals without jobs shot up 13.4 percent, causing the area's unemployment rate to climb 0.8 percentage points to 6.4 percent in the first quarter. Again, we believe that the change in the unemployment rate is overestimated as a result of sampling error.

The area's Index of Leading Indicators dropped 3.4 percent in the first quarter. The Index was brought down by a 14.3 percent hike in initial claims for unemployment in-

surance and a 3.5 percent downturn in the number of new dwelling units put under contract. The last local component of the Index, the average weekly hours of production workers, rose a slight 0.1 percent. We see job growth continuing in manufacturing in the coming months, but at a more moderate pace.

**Chart GR-2**  
**Grand Rapids Employment**  
**Percentage Change, First Quarter 1988**



SOURCE: Based on Michigan Employment Security Commission data. Seasonally adjusted by the Institute.

The Index of Help-Wanted Advertising increased 9.5 percent, wiping out its fourth-quarter 2.4 percent decline. The area's nonmanufacturing sector should continue to enjoy healthy employment growth.

As evidence of the strength of the area's nonmanufacturing sector, plans were announced for the construction of a high-rise office complex on the west bank of the Grand River in downtown Grand Rapids. The \$84 million complex will include two 20-story office towers.

In manufacturing, American Seating Company announced plans for a \$10 million renovation of its old westside facility. Yamaha Music Corporation, which currently makes about 80 percent of its wind instruments for the U.S. market in Grand Rapids, announced that it will add 100 new jobs once it completes construction on its new manufacturing facility in Kentwood. On the downside, after 100 years of business, Haven-Busch Company closed its steel fabrication plant in Grandville, idling 220 workers.

In our last issue, we reported on the closing of the huge White Consolidated's Kelvinator plant in Wyoming. The company has now requested \$1 million in government assistance to tear down part of the facility and renovate the remaining structure as a multi-occupant industrial park. The cost of the overall project is approximately \$4 million.

At first glance, this looks like rewarding a firm for idling 400 workers, but the expenditure could be a good deal for the community. Each dollar in public funds would leverage three dollars in private monies for the project. The end result should replace an idle shell with a facility which will attract jobs and increase the tax base.

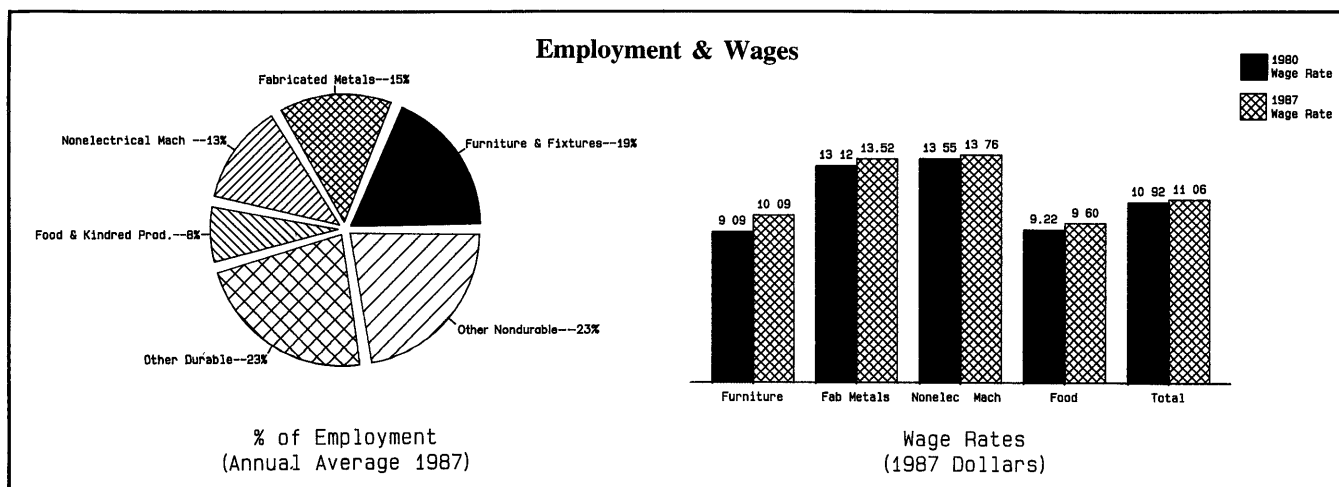
**Table GR-1**  
**Grand Rapids (Kent & Ottawa Counties) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
<b>Employment:</b>					
Manufacturing .....	96,830	95,590	1.3	93,310	3.8
Nonmanufacturing .....	188,770	184,490	2.3	177,060	6.6
Government .....	31,280	31,560	-0.9	30,850	1.4
Total .....	316,880	311,640	1.7	301,220	5.2
<b>Unemployment:</b>					
Number unemployed .....	22,070	19,470	13.4	22,280	-0.9
Unemployment rate .....	6.4	5.6	0.8	6.6	-0.3
<b>Local indexes:</b>					
Help-wanted ads .....	311	284	9.5	265	17.4
Leading indicators .....	141	146	-3.4	136	3.7
<b>Local components:</b>					
Average weekly hours ....	40.6	40.5	0.1	40.3	0.6
UI initial claims .....	1,106	967	14.3	1,104	0.2
New dwelling units <sup>a</sup> .....	5,936	6,150	-3.5	4,795	23.8

SOURCES. W. E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Grand Rapids Press* and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. New dwelling unit data are seasonally adjusted annual rates.

## AREA MANUFACTURING

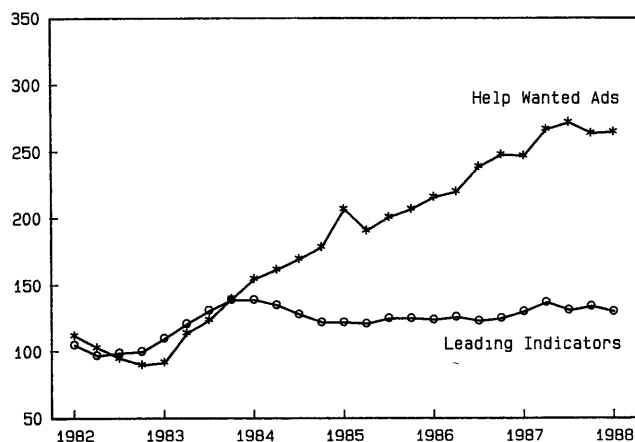


# The BUSINESS OUTLOOK for the KALAMAZOO MSA

*Employment in the Kalamazoo MSA grew a moderate 0.7 percent in the first quarter of 1988. We expect employment growth to remain modest in the coming months in both manufacturing and nonmanufacturing sectors.*

Employment in manufacturing grew 0.9 percent in the first quarter, building on its remarkable 2.5 percent growth in the fourth quarter of 1987. Nonmanufacturing employment also grew 0.9 percent, whereas government employment fell 0.5 percent in the quarter.

**Chart K-1**  
**Kalamazoo Indexes**  
**by Quarter – First of 1982 to First of 1988**

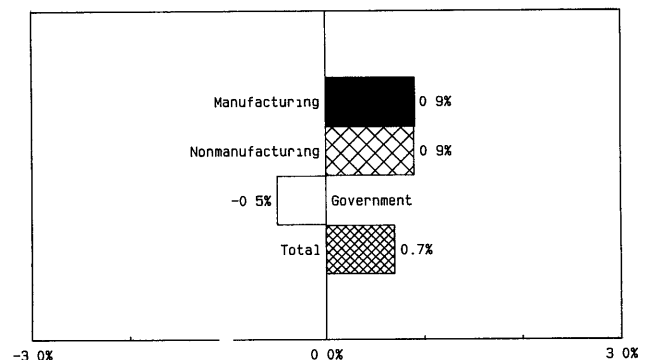


The number of unemployed officially increased a substantial 12.2 percent in the first quarter, and the unemployment rate rose to 5.7 percent. As we stated in the other area outlooks, we believe this quarter's unemployment estimates are overstated due to sampling error. Nevertheless, Kalamazoo still maintains the lowest unemployment rate in West Michigan.

The area's Index of Leading Indicators dropped 3.0 percent, in spite of a solid 8.9 percent increase in the number of new dwelling units put under contract. In the last quarter of 1987, this number fell a sharp 29.2 percent. The other two local components moved in a negative direction. The

average weekly hours of production workers fell 1.4 percent, and the number of initial claims for unemployment insurance increased 8.2 percent. In the previous quarter, the number of initial claims plunged by 23.9 percent and over the past year the number of initial claims has fallen by 3.9 percent.

**Chart K-2**  
**Kalamazoo Employment**  
**Percentage Change, First Quarter 1988**



SOURCE: Based on Michigan Employment Security Commission data Seasonally adjusted by the Institute

The area's Index of Help-Wanted Advertising grew an anemic 0.4 percent in the first quarter, after falling 3.7 percent in the last quarter of 1987.

The poor performance of the area's two Indices indicates slower employment growth in the coming months.

Residents of the City of Kalamazoo soundly defeated a city income tax proposal as well as bond issues for street improvements, public safety buildings, storm sewers, and public works building. This leaves the city in the unenviable position of having to figure out how to cut expenditures.

The City and Township of Kalamazoo are working together on a tax-base sharing agreement to assist in the redevelopment of the former Eaton Corporation plant. If approved,

the agreement would be a positive example of inter-governmental cooperation.

Finally, the state Tax Tribunal will hear GM's appeal of the assessment on its Comstock Township facility. GM contends that the plant was worth only \$9.4 million in 1984,

not its assessed value of \$34.48 million, and that assessments were similarly out of line in 1985 and 1986. The key issue is how industrial properties should be assessed. Because the case has crucial statewide implications, the State of Michigan has agreed to share some of the Township's legal fees, which may reach \$2 million.

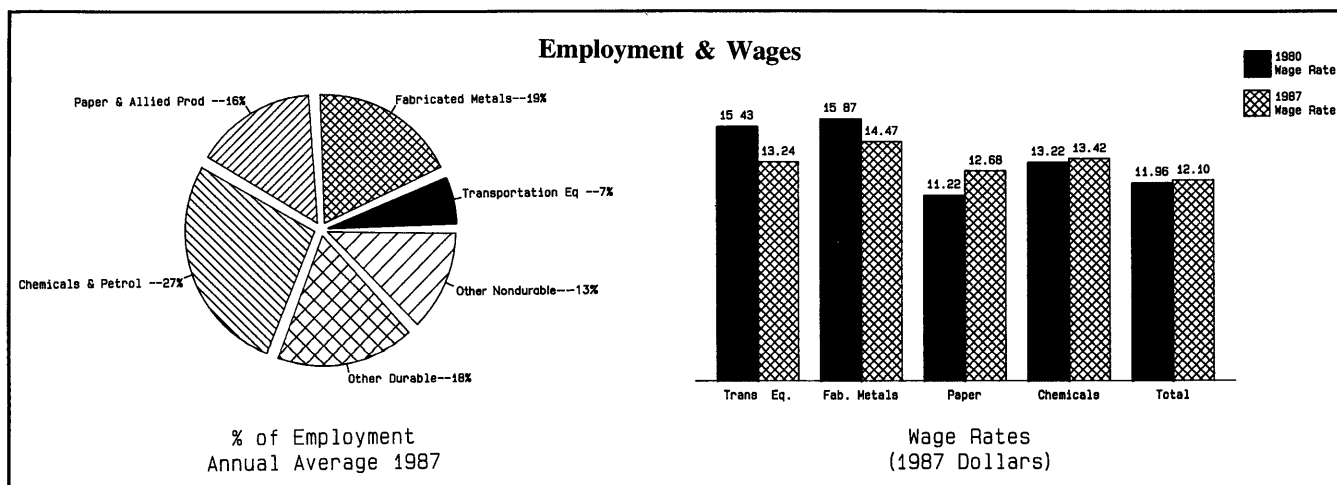
**Table K-1**  
**Kalamazoo (Kalamazoo County) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
<b>Employment:</b>					
Manufacturing .....	29,840	29,650	0.9	29,210	2.2
Nonmanufacturing .....	58,240	57,730	0.9	57,550	1.2
Government .....	16,770	16,860	-0.5	16,190	3.6
Total .....	104,850	104,150	0.7	102,950	1.8
<b>Unemployment:</b>					
Number unemployed .....	6,550	5,840	12.2	6,010	9.0
Unemployment rate .....	5.7	5.1	0.7	5.3	0.5
<b>Local indexes:</b>					
Help-wanted ads .....	265	264	0.4	247	7.3
Leading indicators .....	130	134	-3.0	130	0.0
<b>Local components:</b>					
Average weekly hours ....	42.3	42.9	-1.4	43.4	-2.5
UI initial claims .....	333	307	8.2	320	3.9
New dwelling units <sup>a</sup> .....	1,052	966	8.9	1,041	1.1

SOURCES: W. E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Kalamazoo Gazette* and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. New dwelling unit data are seasonally adjusted annual rates.

## AREA MANUFACTURING



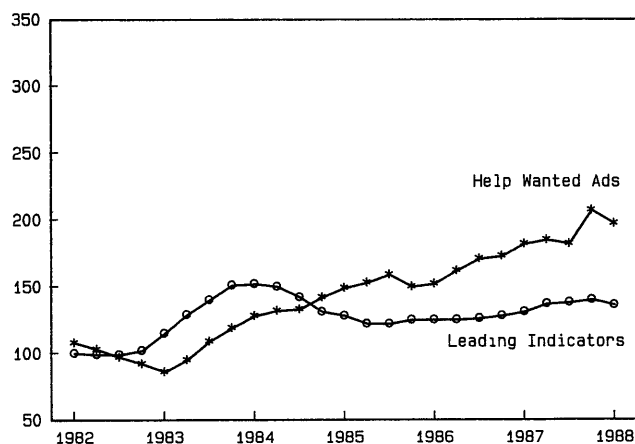


# The BUSINESS OUTLOOK for the MUSKEGON MSA

Total employment in the Muskegon MSA fell a slight 0.5 percent in the first quarter of 1988 due to continued declines in the manufacturing sector. We foresee the employment growth in the area to be slow, at best, in the coming months.

Employment in the area's manufacturing sector plunged 1.8 percent in the first quarter of 1988. Manufacturing employment has fallen 2.2 percent since the first quarter of 1987. Employment growth in nonmanufacturing was an anemic 0.1 percent in the first quarter.

**Chart M-1**  
**Muskegon Indexes**  
**by Quarter - First of 1982 to First of 1988**



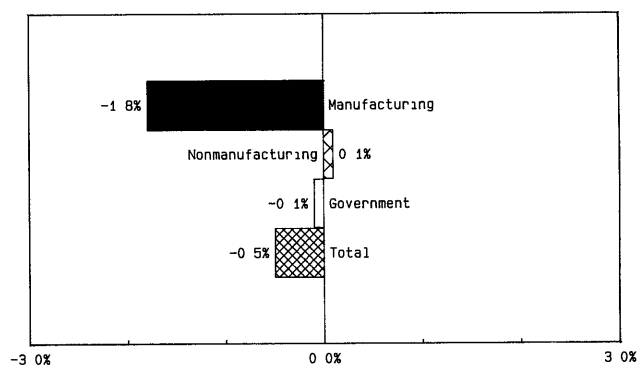
The estimated number of individuals out of work jumped 9.4 percent, and the area's unemployment rate rose from 9.0 percent to 10.0 percent. We suspect, however, that sampling error has caused these figures to overstate the increase in unemployment.

The area's Index of Leading Indicators fell 2.9 percent. All three local components of the Index retreated. The average weekly hours of production workers fell 2.0 percent; the number of initial claims for unemployment insurance rose 3.2 percent; and the number of new dwelling units put under contract declined 2.1 percent. Such an across-the-board decline indicates lackluster growth in the area's manufacturing sector in the coming months.

Recent announcements of plant expansions, however, are likely to help counter current trends. West Michigan Steel

Foundry intends to move the operations of a recently purchased Oklahoma firm to Muskegon, creating 20 new area jobs. Smaller expansions have been announced by Kaydon Corporation and the Wilkie Company.

**Chart M-2**  
**Muskegon Employment**  
**Percentage Change, First Quarter 1988**



SOURCE: Based on Michigan Employment Security Commission data. Seasonally adjusted by the Institute.

Bakaert Steel Wire Corporation plans an \$18 million expansion to dramatically increase its output of steel spring wire. Fifty-two new jobs will be created. A new labor-management agreement was a key element in making the expansion possible. The agreement allows trainees to work in formerly restricted areas and lets union members work on temporary assignments in the plant.

The area's Index of Help-Wanted Advertising also fell, dropping 4.8 percent. This decline follows a strong 12.8 increase in the Index in the last quarter of 1987, but, nevertheless, may point to slower nonmanufacturing growth in the future.

One factor which could slow growth in all sectors is that Muskegon's 33 million gallon per day waste water treatment system is operating close to full capacity. Expansion of the facility would be expensive and would have to pass the scrutiny of the State's Department of Natural Resources.

Finally, we agree with the assessment of Phil Schultz, executive director of New Muskegon, that Leprino's decision to locate its new cheese processing plant in Allendale means

that West Michigan “won the war.” Even though the plant will not be in Muskegon, Muskegon’s hard work in attracting the facility is likely to pay off as many of the 200 new employees at the plant will commute from Muskegon and

the general area will have successfully diversified. The plant’s location will place it in the midst of the state’s third, fourth, and fifth largest dairy producing counties—Allegan, Ottawa, and Kent.

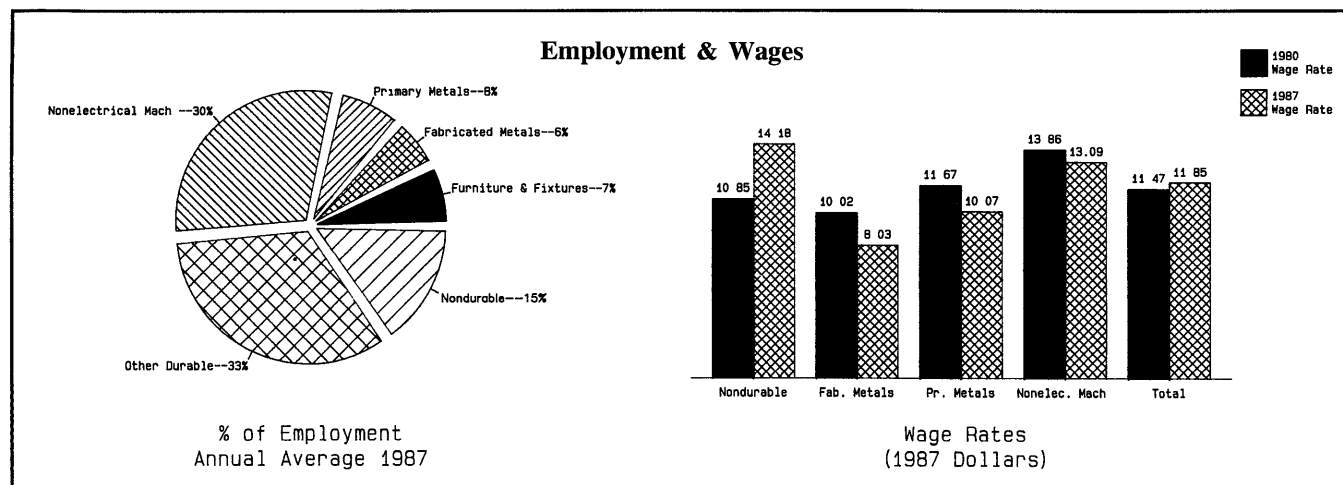
**Table M-1**  
**Muskegon (Muskegon County) Statistics**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
<b>Employment:</b>					
Manufacturing .....	17,330	17,640	-1.8	17,720	-2.2
Nonmanufacturing .....	30,020	30,000	0.1	29,440	2.0
Government .....	9,060	9,070	-0.1	8,710	4.0
Total .....	56,410	56,710	-0.5	55,870	1.0
<b>Unemployment:</b>					
Number unemployed .....	6,650	6,080	9.4	7,500	-11.3
Unemployment rate .....	10.0	9.0	1.0	11.0	-1.0
<b>Local indexes:</b>					
Help-wanted ads .....	197	207	-4.8	182	8.2
Leading indicators .....	136	140	-2.9	131	3.8
<b>Local components:</b>					
Average weekly hours ....	40.3	41.2	-2.0	40.9	-1.3
UI initial claims .....	333	322	3.2	395	-15.7
New dwelling units <sup>a</sup> .....	413	422	-2.1	385	7.3

SOURCES: W. E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from *Muskegon Chronicle* and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. New dwelling unit data are seasonally adjusted annual rates.

## AREA MANUFACTURING



## Definitions of terms as used in this quarterly

**Business Cycle Turning Dates:** The historical business cycle turning dates used in this report are those designated by the National Bureau of Economic Research, Inc. (NBER). They mark the approximate dates when, according to NBER, aggregate economic activity reached its cyclical high (peak) or low (trough) levels.

**Central City:** An incorporated city or urbanized area defined by the U.S. Office of Management and Budget as having the largest population in the metropolitan statistical area in 1980. For an additional city to be included in the name of an MSA, the employment/residence ratio must be at least 0.75, with out-commuting of less than 60 percent of that city's resident employed workers.

**Employment:** In this quarterly, "employment" is used instead of the more precise term, "wage and salary employment." The MESC employment data shown refer to "jobs by place of work," or nonagricultural employment.

**Manufacturing:** The estimate of the number of workers on the payrolls of privately owned firms engaged in the production of durable or nondurable goods.

**Nonmanufacturing:** The estimate of the number of workers on the payrolls of privately owned firms that provide services rather than goods. (Construction and mining are included.)

**Government:** The estimate of the number of workers on national, state, or local governmental payrolls.

**Historical data:** Monthly, quarterly, or yearly information for past periods. (Shown in appendix tables.)

**Index of Leading Indicators, State & MSAs:** A (composite) index with seven components (see Tables A-2 and A-3).

**Index of Leading Indicators, United States:** A (composite) index based on 11 major components made up of 60 series. Marginal employment adjustment measures include average weekly hours in manufacturing employment and average weekly initial UI claims. One of the two job vacancy series is Help-Wanted Advertising. New private housing units are part of the fixed capital investment component. For a complete list see *Business Conditions Digest* and the 1984 *Handbook of Cyclical Indicators*, The U.S. Department of Commerce, Bureau of Economic Analysis.

**Initial Claims:** A count of the number of new claims filed for unemployment insurance (UI) for regular state programs. Each initial claim filed indicates a new spell of unemployment for an experienced worker. In Michigan, to be eligible for benefits, an individual must have earned wages of at least 30 times the state minimum hourly wage (currently \$3.35) during not less than 20 of the 52 consecutive calendar weeks preceding the benefit year. Each such week is

termed a "credit week." An individual may qualify with as few as 14 credit weeks, however, if base period wages have been in excess of 20 times the state average weekly wage (currently \$433.91).

**Michigan Employment Security Commission (MESC):** Michigan Employment Security Commission is a state agency that administers the Job Service and the state/federal unemployment insurance programs and provides labor market information in keeping with state and federal reporting requirements.

**MSA (1983 definition):** In all but New England, one or more counties are defined as a Metropolitan Statistical Area if they contain the following: a large population nucleus (a central city or "urbanized" area) with adjacent communities which have a high degree of economic and social integration. Adjacent counties are included if they have 60 persons per square mile, and/or substantial 1970 to 1980 population growth (20 percent) with 10 percent residing within the urbanized area and a commuting pattern with 15-20 percent of residents working within the central city or urbanized area.

MSAs are also defined as **major labor market areas** by the Michigan Employment Security Commission (MESC). Those labor market areas outside of the MSAs have the peninsula or county name.

**National Purchasing Management Selected Components Indexed:** The national association conducts a monthly survey of purchasing managers from a scientifically selected sample of firms across the nation. Responses indicate only the direction of change; the percentage reporting favorable changes minus those with unfavorable changes plus 100 equals the index as shown in this quarterly. For those familiar with diffusion indexes, these indexes represent two times the percentage reporting a change in a favorable direction, e.g., more new orders. (The favorable count includes one-half of those reporting no change.)

**Time Series:** A set of numbers covering a known interval or timespan (e.g., months or quarters) that provide information about a well-defined activity, process or group. For local series that consistently change direction in advance of overall economic activity, see Table A-3. Those measuring current or past economic activity are found in Table A-4.

**Unemployed:** The number of persons in the labor force who are without a job or on layoff but not expecting to be called back. In order to be counted, an individual must be seeking work.

**Vacancy Rate:** The percentage of all housing units in existing homes or newly constructed units (visibly ready for occupancy) that are empty and therefore unoccupied. Vacancy rates in Michigan MSAs are determined by U.S. Postal Service delivery workers as part of an annual survey conducted for the Federal Home Loan Bank of Indianapolis. See Table A-5.

**Table A-1**  
**Index of Help-Wanted Advertising (1982=100)**

Area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1982	1983	1984	1985	1986	1987	I	1987 II	III	IV	1988 I
Battle Creek MSA . . . . .	100	115	139	159	202	233	215	243	242	230	229
Benton Harbor MSA . . . . .	100	109	126	186	222	273	247	283	302	262	288
Grand Rapids MSA . . . . .	100	124	178	218	243	281	265	286	288	284	311
Kalamazoo MSA . . . . .	100	117	166	202	231	263	247	270	271	264	265
Muskegon MSA . . . . .	100	102	134	152	165	189	182	185	182	207	197
West Michigan, 4 MSAs <sup>a</sup> . . . . .	100	118	164	198	225	259	245	264	264	264	275
West Michigan, 5 MSAs . . . . .	100	118	162	198	225	260	244	266	268	265	278
Detroit, Michigan MSA . . . . .	100	146	163	194	194	172	179	170	170	170	168
United States . . . . .	100	111	152	160	161	196	167	187	179	213	215

SOURCES: West Michigan indexes based on ad counts from the *Battle Creek Enquirer*, *Benton Harbor Herald Palladium*, *Grand Rapids Press*, *Kalamazoo Gazette* and *Muskegon Chronicle*; United States and Detroit indexes derived from (1967=100) series of The Conference Board.

a. West Michigan Metropolitan Statistical Areas of Battle Creek, Grand Rapids, Kalamazoo and Muskegon.

**Table A-2**  
**Index of Leading Indicators (1982=100)**  
**(Rounded)**

Area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1982	1983	1984	1985	1986	1987	I	1987 II	III	IV	1988 I
Battle Creek MSA . . . . .	100	141	147	132	136	141	141	142	137	141	134
Benton Harbor MSA . . . . .	100	133	137	117	124	133	131	132	135	134	131
Grand Rapids MSA . . . . .	100	127	133	127	131	141	136	144	141	146	141
Kalamazoo MSA . . . . .	100	125	131	123	124	133	130	137	131	134	130
Muskegon MSA . . . . .	100	134	144	125	126	137	131	137	138	140	136
West Michigan, 4 MSAs <sup>a</sup> . . . . .	100	127	134	127	130	140	135	143	139	143	139
West Michigan, 5 MSAs . . . . .	100	130	138	131	134	146	141	148	145	149	147
Michigan . . . . .	100	131	141	137	143	153	155	151	152	154	146

SOURCES: National index from U.S. Department of Commerce, all others from the W.E. Upjohn Institute.

a. West Michigan Metropolitan Statistical Areas of Battle Creek, Grand Rapids, Kalamazoo and Muskegon.

### Technical Note

As presently constituted, the components and the range of weights used in the Indexes of Leading Indicators are as follows:

1. *Average weekly hours of production workers in manufacturing.* A separate series is used for each metropolitan area and for the State of Michigan. Weights range from .41 to .46.

2. *Initial claims for unemployment insurance (inverted).* A separate series is used for each metropolitan area and for the State of Michigan. Weights range from .08 to .11.

3. *New dwelling units put under contract (4-term trailing average).* A separate series is used for each metropolitan area and for the State of Michigan. Weights range from .03 to .10.

In addition, each area's index includes the following national measures:

4. *The proportion of firms reporting an increase in new orders.* Weights range from .08 to .12.

5. *The proportion of firms reporting an increase in purchased materials prices.* Weights range from .09 to .14.

6. *The proportion of firms reporting an increase in purchased material inventories.* Weights range from .08 to .12.

7. *The proportion of firms reporting a change in vendor performance (slower delivery time).* Weights range from .08 to .12.

**Table A-3**  
**Components of the Index of Leading Indicators**

<b>1. Average Weekly Hours of Production Workers</b>											
Area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	I	1987 II	III	IV	1988 I
Battle Creek MSA.....	41.3	42.0	42.7	41.8	41.9	43.3	43.2	42.8	43.0	43.9	42.1
Benton Harbor MSA.....	39.9	42.1	42.3	39.7	41.0	40.8	40.4	39.6	43.1	40.0	41.1
Grand Rapids MSA.....	39.9	41.2	41.7	41.0	40.7	40.1	40.3	39.7	39.7	40.5	40.6
Kalamazoo MSA.....	40.4	42.0	42.4	43.1	43.1	42.9	43.3	42.8	42.9	42.9	42.3
Muskegon MSA.....	41.4	41.1	42.0	40.4	40.4	40.9	40.9	40.7	40.8	41.2	40.3
West Michigan, 4 MSAs <sup>b</sup> ....	40.3	41.5	42.0	41.4	41.2	41.0	41.2	40.7	40.7	41.3	41.0
West Michigan, 5 MSAs.....	40.3	41.5	42.0	41.2	41.2	41.0	41.1	40.5	40.9	41.2	41.0
Michigan.....	40.1	42.5	43.2	43.1	42.6	42.2	42.6	42.1	41.5	42.4	42.1
United States.....	39.7	40.1	40.7	40.5	40.7	40.9	40.9	40.8	41.0	41.0	40.9
<b>2. Initial Claims for Unemployment Insurance (Average per week)</b>											
Area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	I	1987 II	III	IV	1988 I
Battle Creek MSA.....	689	348	347	299	304	313	298	313	342	310	357
Benton Harbor MSA.....	366	220	201	237	259	236	243	236	243	224	253
Grand Rapids MSA.....	1,504	1,323	1,068	1,147	1,152	1,019	1,115	967	1,043	967	1,106
Kalamazoo MSA.....	599	415	299	308	329	336	320	322	378	307	333
Muskegon MSA.....	658	332	283	389	397	351	400	361	334	322	333
West Michigan, 4 MSAs <sup>b</sup> ....	3,451	2,417	1,998	2,144	2,181	2,021	2,133	1,963	2,109	1,911	2,125
West Michigan, 5 MSAs.....	3,817	2,637	2,198	2,381	2,440	2,257	2,376	2,199	2,351	2,134	2,378
Michigan.....	37,942	21,135	16,407	15,624	17,765	17,020	18,032	18,309	16,704	15,967	19,032
United States.....	483,180	440,170	376,050	394,260	372,650	325,640	358,420	336,210	319,210	296,090	317,670
<b>3. New Dwelling Units - Put Under Contract</b>											
Area	Annual averages (Selected years)						By quarter (Seasonally adjusted annual rate)				
	1980	1983	1984	1985	1986	1987	I	1987 II	III	IV	1988 I
Battle Creek MSA.....	219	360	432	223	257	181	221	194	156	160	152
Benton Harbor MSA.....	a	364	363	278	418	361	448	320	324	367	371
Grand Rapids MSA.....	3,121	2,815	3,268	4,569	4,963	5,564	4,994	4,821	5,484	6,150	5,936
Kalamazoo MSA.....	1,369	794	613	1,007	1,015	1,188	1,018	1,502	1,332	966	1,052
Muskegon MSA.....	500	329	415	410	393	416	395	435	408	413	422
West Michigan, 4 MSAs <sup>b</sup> ....	5,209	4,298	4,728	6,209	6,628	7,379	6,627	6,952	7,380	7,706	7,634
West Michigan, 5 MSAs.....	a	4,662	5,091	6,487	7,046	7,756	7,075	7,272	7,704	8,304	8,010
Michigan.....	33,113	25,909	32,220	39,269	47,601	51,374	58,785	48,660	48,648	40,474	36,832
<b>4. National Purchasing Management Survey (Selected components indexed)<sup>c</sup></b>											
Component	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	I	1987 II	III	IV	1988 I
4. New orders.....	91	128	115	105	112	123	118	123	126	123	117
5. Change in inventories.....	83	95	103	88	89	97	93	97	95	100	93
6. Vendor performance.....	81	113	115	96	101	91	102	106	82	75	77
7. Changes in material prices..	147	121	123	91	103	143	125	139	153	158	157

SOURCES: Average weekly hours and initial claims based on information from Michigan Employment Security Commission; number of housing units put under contract, F.W. Dodge Division, McGraw Hill Information Systems Company; survey data from the National Association of Purchasing Management. Seasonal adjustment by the Institute.

a. Not available.

b. West Michigan Metropolitan Statistical Areas of Battle Creek, Grand Rapids, Kalamazoo and Muskegon.

c. Survey results shown here are based on percent reporting conditions favorable to economic growth minus percent reporting conditions unfavorable to economic growth plus 100.

**Table A-4**  
**Employment Data for West Michigan MSAs and Michigan**  
(Thousands of jobs - by place of work)

Total Employment <sup>a</sup>											
Labor market area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	1987				1988
							I	II	III	IV	I
Battle Creek MSA . . . . .	55.2	50.9	53.0	54.2	55.0	56.1	55.8	55.8	56.2	56.6	57.4
Benton Harbor MSA . . . . .	60.8	55.5	57.8	59.0	62.0	63.3	62.6	62.8	63.5	64.2	64.2
Grand Rapids MSA . . . . .	266.1	266.6	283.2	293.4	300.3	306.0	302.0	304.3	306.0	311.6	316.9
Kalamazoo MSA . . . . .	95.6	92.1	94.8	97.2	101.3	103.7	103.2	103.5	103.8	104.2	104.9
Muskegon MSA . . . . .	56.4	50.4	53.7	55.2	56.2	56.0	54.9	55.9	56.4	56.7	56.4
West Michigan:											
4 MSAs <sup>b</sup> . . . . .	473.3	460.0	484.6	500.1	505.8	521.9	516.1	519.8	522.3	529.2	535.5
5 MSAs . . . . .	534.1	515.5	542.4	559.1	574.7	585.1	578.7	582.4	585.8	593.4	599.9
Michigan . . . . .	3,442.8	3,223.1	3,381.0	3,505.3	3,639.3	3,798.1	3,671.6	3,688.6	3,679.8	4,152.6	4,093.7
Private Manufacturing Employment											
Labor market area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	1987				1988
							I	II	III	IV	I
Battle Creek MSA . . . . .	18.0	14.3	14.8	14.9	15.0	15.5	15.4	15.4	15.7	15.5	15.4
Benton Harbor MSA . . . . .	21.5	19.2	20.0	20.5	21.5	21.3	21.2	21.1	21.3	21.5	21.4
Grand Rapids MSA . . . . .	89.0	86.8	95.1	99.0	94.5	94.2	93.6	93.6	93.8	95.6	96.8
Kalamazoo MSA . . . . .	28.5	27.1	28.3	29.1	29.2	29.2	29.3	29.1	28.7	29.6	29.8
Muskegon MSA . . . . .	19.7	16.6	18.7	19.4	18.1	17.7	17.7	17.7	17.9	17.6	17.3
West Michigan:											
4 MSAs <sup>b</sup> . . . . .	155.2	144.7	156.9	162.3	156.8	156.6	156.1	155.8	156.1	158.5	159.5
5 MSAs . . . . .	176.7	163.9	176.9	182.8	178.3	177.9	177.4	177.0	177.3	179.6	180.9
Michigan . . . . .	998.9	880.5	962.8	984.3	998.2	966.7	983.4	973.6	950.9	959.1	928.4
Private Nonmanufacturing Employment											
Labor market area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	1987				1988
							I	II	III	IV	I
Battle Creek MSA . . . . .	27.2	25.8	26.9	27.9	28.6	29.1	29.0	28.9	28.9	29.7	30.6
Benton Harbor MSA . . . . .	30.4	28.5	29.8	30.5	32.1	33.5	32.8	33.1	33.7	34.2	34.3
Grand Rapids MSA . . . . .	144.5	151.2	159.4	165.0	175.2	180.7	177.6	179.7	181.2	184.5	188.8
Kalamazoo MSA . . . . .	50.3	49.8	51.4	52.6	56.1	58.0	57.7	58.1	58.6	57.7	58.2
Muskegon MSA . . . . .	27.3	25.7	27.1	28.3	29.3	29.7	29.5	29.6	29.7	30.0	30.0
West Michigan:											
4 MSAs <sup>b</sup> . . . . .	249.4	252.5	264.8	273.7	289.2	297.5	293.8	296.2	298.3	302.1	307.5
5 MSAs . . . . .	279.7	281.0	294.5	304.2	321.3	330.9	326.6	329.3	332.1	336.3	342.0
Michigan . . . . .	1,816.1	1,772.8	1,851.3	1,941.3	2,044.5	2,114.5	2,091.2	2,095.2	2,123.7	2,148.5	2,165.7
Government Employment											
Labor market area	Annual averages (Selected years)						By quarter (Adjusted for seasonal variations)				
	1980	1983	1984	1985	1986	1987	1987				1988
							I	II	III	IV	I
Battle Creek MSA . . . . .	10.1	10.8	11.3	11.5	11.4	11.5	11.4	11.5	11.5	11.5	11.5
Benton Harbor MSA . . . . .	9.0	7.9	8.0	8.1	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Grand Rapids MSA . . . . .	32.3	28.5	28.7	29.4	30.6	31.1	30.9	30.9	31.0	31.6	31.3
Kalamazoo MSA . . . . .	16.8	15.2	15.1	15.6	16.0	16.5	16.3	16.3	16.5	16.7	16.9
Muskegon MSA . . . . .	9.4	8.1	7.9	7.6	8.7	8.8	8.8	8.7	8.8	9.1	9.1
West Michigan:											
4 MSAs <sup>b</sup> . . . . .	68.6	62.7	63.0	64.0	66.6	67.9	67.2	67.4	67.9	68.9	68.5
5 MSAs . . . . .	77.6	70.5	70.9	72.1	75.1	76.4	75.7	76.0	76.4	77.5	77.0
Michigan . . . . .	627.8	570.0	567.2	579.8	596.6	606.3	598.2	604.9	605.1	618.7	623.9

SOURCE: Michigan Employment Security Commission. Seasonal adjustments by the Institute.

a. Detail may not add to totals because of rounding.

b. West Michigan Metropolitan Statistical Areas of Battle Creek, Grand Rapids, Kalamazoo and Muskegon.

**Table A-5**  
**Vacancy Rates for Selected Metropolitan Statistical Areas (MSAs) in Michigan**

MSA	Total existing housing units					
	End date of survey	All types	Single family	Single family attached	Multi-family	Mobile home
Ann Arbor . . . . .	03/16/88	3.1	1.1	4.6	5.8	3.5
Battle Creek . . . . .	10/08/87	3.2	2.1	8.4	8.3	3.1
Benton Harbor . . . . .	04/17/87	2.8	2.2	4.0	5.1	4.4
Detroit . . . . .	01/17/88	2.2	1.5	4.4	4.5	1.6
Flint . . . . .	02/19/88	3.5	2.6	4.0	7.0	4.9
Grand Rapids . . . . .	03/16/87	2.4	1.7	3.4	4.8	1.1
Jackson . . . . .	06/26/87	2.4	1.8	3.8	4.9	2.2
Kalamazoo . . . . .	02/19/88	3.3	2.0	7.3	5.7	5.7
Lansing . . . . .	10/10/87	2.6	2.0	3.1	4.2	2.9
Muskegon . . . . .	05/11/87	2.4	1.7	16.1	4.5	1.3
Saginaw-Bay City-Midland . . . . .	11/17/86	2.5	2.1	3.8	4.3	2.8

MSA	Existing housing units plus units under construction					
	End date of survey	All types	Single family	Single family attached	Multi-family	Mobile home
Ann Arbor . . . . .	03/16/88	4.7	1.7	8.3	8.4	n.a.
Battle Creek . . . . .	10/08/87	3.4	2.2	8.6	8.7	n.a.
Benton Harbor . . . . .	04/17/87	2.9	2.4	4.1	5.1	n.a.
Detroit . . . . .	01/17/87	3.1	1.9	6.4	7.0	n.a.
Flint . . . . .	02/19/88	3.7	2.7	5.8	7.2	n.a.
Grand Rapids . . . . .	03/16/87	3.1	2.2	5.1	6.3	n.a.
Jackson . . . . .	06/26/87	2.7	1.9	3.8	6.5	n.a.
Kalamazoo . . . . .	02/19/88	4.0	2.2	7.4	7.7	n.a.
Lansing . . . . .	10/10/87	3.2	2.5	3.6	5.4	n.a.
Muskegon . . . . .	05/11/87	2.6	2.0	16.4	4.5	n.a.
Saginaw-Bay City-Midland . . . . .	11/17/86	2.7	2.2	4.1	4.8	n.a.

SOURCE: Federal Home Loan Bank of Indianapolis.

NOTE: Vacancy rates for United States are not strictly comparable. In 1987 vacancy rates published by U.S. Department of Commerce show rental housing vacancy rates for first, second, third and fourth quarters of 1987 at 7.4, 7.5, 8.1 and 7.8 percent. Homeowner housing vacancy rates for same periods were 1.7, 1.7, 1.7 and 1.6 percent.

**Table A-6**  
**Population by Sex and Age**  
**Michigan and Five Metro Areas in West Michigan**

Area		Percent Distribution						
		Males	Females	0-14	15-19	20-34	35-64	Over 64
Michigan . . . . .	1985	48.8	51.2	22.6	8.5	26.4	31.9	10.6
	1980	48.8	51.2	24.0	9.7	26.0	30.5	9.8
Metropolitan (MSAs):								
Battle Creek . . . . .	1985	48.5	51.5	22.6	7.9	24.5	33.1	11.9
	1980	48.5	51.5	23.3	9.4	24.0	32.0	11.3
Benton Harbor . . . . .	1985	47.9	52.1	23.4	8.3	23.7	32.6	12.0
	1980	48.3	51.7	24.8	9.6	23.7	31.0	10.9
Grand Rapids . . . . .	1985	48.6	51.4	23.9	8.2	28.2	29.9	9.8
	1980	48.5	51.5	24.4	10.1	27.0	28.7	9.8
Kalamazoo . . . . .	1985	48.8	51.2	21.2	8.9	31.0	29.9	9.0
	1980	48.4	51.6	21.6	10.5	30.6	28.4	8.9
Muskegon . . . . .	1985	48.5	51.5	23.7	8.2	25.3	31.2	11.6
	1980	48.4	51.6	24.5	10.0	24.3	30.5	10.7

SOURCE: Michigan Department of Management and Budget, Office of Revenue and Tax Analysis.

**Table A-7**  
**Average Residential Contract Mortgage Rates in Michigan**

Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
1982	17.04	17.21	17.13	17.23	17.16	17.09	16.99	16.88	15.95	15.55	14.43	13.99
1983	13.66	13.41	13.25	12.67	12.61	12.52	12.81	13.18	13.94	13.86	13.78	13.77
1984	13.72	13.42	13.46	13.69	13.96	14.61	14.74	14.58	14.42	14.34	13.85	13.78
1985	13.64	13.37	13.49	13.45	13.33	12.55	12.34	12.42	12.28	12.31	12.20	11.75
1986	11.07	11.08	10.54	10.41	10.38	10.80	10.84	10.72	10.50	10.45	10.34	10.10
1987	9.88	9.62	9.55	10.06	11.04	11.36	11.01	10.83	11.18	11.50	11.20	11.10
1988	11.05	10.52	10.45	...	..	...	...	...	...	...	...	...

SOURCE: Business Information Division, Federal Home Loan Bank of Indianapolis.

NOTE: The contract rate shown is for 75 percent loan-to-value ratio, 25-year maturity loans on new single family homes. Alternative plans that allow mortgage rates to be adjusted, varied, blended, or shared can be arranged at lower rates.

**Table A-8**  
**Consumer Price Index**

Consumer Price Index (CPI), U.S. City Average (1982-84=100)													
Year	Annual Avg.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CPI for All Urban Consumers (CPI-U)													
1980	82.4	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.3
1981	90.9	87.0	87.9	88.5	89.1	89.8	90.6	91.6	92.3	93.2	93.4	93.7	94.0
1982	96.5	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6
1983	99.6	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3
1984	103.9	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3
1985	107.6	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3
1986	109.6	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5
1987	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	...	115.7	116.0	116.5	117.1	...	...	..	...	...	...	...	...
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1980	82.9	78.3	79.4	80.5	81.4	82.3	83.2	83.3	83.8	84.6	85.3	86.1	86.9
1981	91.4	87.5	88.5	89.0	89.6	90.3	91.1	92.2	92.8	93.7	93.9	94.1	94.4
1982	96.9	94.7	95.0	94.8	95.2	96.2	97.4	98.0	98.2	98.3	98.6	98.4	98.0
1983	99.8	98.1	98.1	98.4	99.0	99.5	99.8	100.1	100.5	101.0	101.2	101.2	101.2
1984	103.3	101.6	101.8	101.8	102.1	102.5	102.8	103.2	104.2	104.8	104.8	104.7	104.8
1985	106.9	104.9	105.4	105.9	106.3	106.7	107.0	107.1	107.3	107.6	107.9	108.3	108.6
1986	108.6	108.9	108.5	107.9	107.6	107.9	108.4	108.4	108.6	109.1	109.1	109.2	109.3
1987	112.5	110.0	110.5	111.0	111.6	111.9	112.4	112.7	113.3	113.8	114.1	114.3	114.2
1988	..	114.5	114.7	115.1	115.7	..	..	..	..	...	...	...	...

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

NOTES: Monthly data are shown above unadjusted for seasonal variations. Unadjusted CPI data are used extensively for escalation purposes. Although the CPI is often called the "Cost-of-Living Index," it measures only price change, which is just one of several important factors affecting living costs. All CPI series are linked historically to the original CPI Index for Urban Wage Earners and Clerical Workers

These series contain no revision but are reprinted for the convenience of the user.

PERCENT CHANGE: Movements of these indexes from one time period to another are usually expressed as percent changes rather than changes in index points. Index point changes are affected by the level of the index in relation to its base period while percent changes are not. Examples of computation follow:

$$\frac{100 \times 108.6 \text{ (1986 annual avg.)} - 106.9 \text{ (1985 annual avg.)}}{106.9 \text{ (1985 annual avg.)}} = 1.6\% \text{ change 1985 to 1986, CPI-W.}$$

$$\frac{100 \times 109.3 \text{ (1986 December)} - 108.6 \text{ (1985 December)}}{108.6 \text{ (1985 December)}} = 0.6\% \text{ change December 1985 to December 1986, CPI-W.}$$

$$\frac{100 \times 110.0 \text{ (1987 January)} - 109.3 \text{ (1986 December)}}{109.3 \text{ (1986 December)}} = 0.6\% \text{ change December 1986 CPI-W to January 1987, CPI-W.}$$



**Table A-9**  
**Selected Labor Market Indicators**  
(Not adjusted for seasonal variations)

Area	Average for manufacturing production workers <sup>a</sup> March 1988			Civilian labor force unemployment rate <sup>b</sup>	
	Weekly hours	Hourly earnings	Weekly earnings	December 1987	March 1988
United States . . . . .	40.9	\$10.08	\$412.3	5.8	5.5
Michigan . . . . .	42.7	13.28	567.1	8.3	8.6
West Michigan MSAs:					
Battle Creek . . . . .	41.6	14.75	613.6	8.4	9.0
Benton Harbor . . . . .	41.0	9.64	395.2	7.4	7.4
Grand Rapids . . . . .	40.9	11.39	465.9	6.2	5.8
Kalamazoo . . . . .	42.1	12.32	518.7	5.2	5.1
Muskegon . . . . .	39.9	12.02	479.6	9.3	9.7
Other MSAs:					
Ann Arbor . . . . .	44.7	14.28	638.3	3.7	4.4
Detroit . . . . .	43.6	14.17	617.8	8.0	8.3
Flint . . . . .	42.7	16.48	703.7	14.0	15.2
Jackson . . . . .	41.8	10.03	419.3	7.8	7.7
Lansing-E. Lansing . . . . .	43.7	14.52	634.5	6.5	7.2
Saginaw-Bay City-Midland . . . . .	43.0	15.13	650.6	8.5	9.3
Other Areas:					
Upper Peninsula . . . . .	41.6	9.60	399.4	11.5	11.8

SOURCES: U.S. Department of Labor and the Michigan Employment Security Commission (MESC) (most recent benchmark).

a. Preliminary. Earnings include overtime and part-time wages.

b. Seasonally adjusted rate for U.S. was 5.8 percent in December 1987 and 5.6 percent in March 1988. Seasonally adjusted rate for Michigan was 8.3 in December 1987 and 8.3 percent in March 1988.

**Table A-10**  
**Commercial Banking Data**  
**Fourth Quarter 1987**

(In thousands of current dollars)

	Metropolitan (MSAs)					Nonmetropolitan
	Battle Creek	Benton Harbor	Grand Rapids	Kalamazoo	Muskegon	(7 counties)
Total deposits . . . . .	\$215,282	\$938,563	\$4,563,700	\$1,493,759	\$716,458	\$ 992,074
Total transaction accounts <sup>a</sup> . . . . .	81,991	259,767	1,230,601	488,220	196,673	257,653
Nontransaction savings <sup>b</sup> . . . . .	82,665	261,416	1,454,025	494,794	230,524	338,105
Time deposits < \$100,000 . . . . .	46,663	338,518	1,334,807	420,561	235,003	335,250
Time deposits > \$100,000 <sup>c</sup> . . . . .	3,993	78,863	544,267	75,015	53,313	60,551
Total assets . . . . .	239,350	1,039,459	5,554,090	1,928,165	798,232	1,108,332
Total loans . . . . .	107,994	674,823	3,550,323	1,104,719	398,205	636,983
Agriculture . . . . .	472	12,034	53,833	28,882	1,065	34,758
Business . . . . .	43,234	161,463	1,442,119	302,227	91,898	103,678
Consumer . . . . .	19,533	146,115	815,614	248,191	94,454	198,023
Government . . . . .	1,105	18,219	168,186	103,221	17,032	14,652
Real estate . . . . .	41,669	331,562	963,842	396,628	191,554	277,436
Other <sup>d</sup> . . . . .	1,981	5,430	106,729	25,570	2,202	6,648

SOURCE: Federal Reserve Bank of Chicago.

a. Total transaction accounts include demand deposits, automated teller accounts, and NOW accounts.

b. Nontransaction savings include money market depository accounts (MMDA) and IRAs.

c. This category includes both time certificates and open-time certificates over \$100,000.

d. Includes loans made to depository institutions, leases, and bankers acceptances, and unearned income. The seven nonmetropolitan counties are: Allegan, Barry, Cass, Newaygo, Oceana, St Joseph, and Van Buren.

**Table A-11**  
**Population and Income Update for Selected Areas**

Area	Population				Per Capita Income			
	1986*	1980	Change	% change	1985	1979	% change current dollars	% change constant dollars
Michigan .....	9,155,000	9,262,078	(107,078)	-1.2	10,902	7,688	41.8	-4.3
Southwest Michigan.....	1,697,500	1,646,402	51,098	3.1	10,004	7,072	41.5	-4.6
Metropolitan (MSAs)								
6-county total.....	1,325,500	1,284,480	41,020	3.2	10,300	7,240	42.3	-4.0
Battle Creek MSA.....	136,900	141,557	(4,657)	-3.3	9,986	7,211	38.5	-6.6
Battle Creek.....	54,080	56,339	(2,259)	-4.0	10,548	7,504	40.6	-5.2
Benton Harbor MSA.....	163,600	171,276	(7,676)	-4.5	9,365	6,728	39.2	-6.1
Benton Harbor.....	14,160	14,707	(547)	-3.7	5,514	3,766	46.4	-1.2
Benton Township.....	17,690	19,120	(1,430)	-7.5	7,901	5,430	45.5	-1.8
Kalamazoo MSA.....	217,700	212,378	5,322	2.5	11,245	7,769	44.7	-2.3
Kalamazoo .....	77,230	79,722	(2,492)	-3.1	10,068	6,945	45.0	-2.2
Portage .....	40,430	38,157	2,273	6.0	12,811	8,733	46.7	-1.0
Grand Rapids MSA.....	648,800	601,680	47,120	7.8	10,640	7,437	43.1	-3.5
Kent County.....	477,500	444,506	32,994	7.4	10,727	7,522	42.6	-3.8
Grand Rapids.....	186,530	181,843	4,687	2.6	9,625	6,691	43.8	-2.9
Kentwood .....	35,750	30,438	5,312	17.5	11,691	8,145	43.5	-3.1
Wyoming .....	62,420	59,616	2,804	4.7	10,327	7,452	38.6	-6.5
Ottawa County.....	171,300	157,174	14,126	9.0	10,397	7,198	44.4	-2.5
Holland .....	24,070	21,767	2,303	10.6	10,536	7,145	47.5	-0.5
Muskegon MSA.....	158,500	157,589	911	0.6	8,848	6,358	39.2	-6.1
Muskegon.....	39,810	40,823	(1,013)	-2.5	7,827	5,507	42.1	-4.1
Muskegon Heights.....	14,610	14,611	(1)	-0.0	6,569	4,583	43.3	-3.3
Norton Shores.....	21,710	22,025	(315)	-1.4	11,588	8,211	41.1	-4.8
Nonmetropolitan								
7-county total.....	372,000	361,922	10,078	2.8	8,950	6,476	38.2	-6.7
Allegan .....	86,600	81,555	5,045	6.2	9,346	6,744	38.6	-6.5
Barry.....	47,800	45,781	2,019	4.4	9,752	6,965	40.0	-5.5
Branch .....	39,500	40,188	(688)	-1.7	8,591	6,449	33.2	-10.1
Cass .....	48,500	49,499	(999)	-2.0	8,833	6,481	36.3	-8.0
Oceana .....	22,700	22,002	698	3.2	7,479	5,627	32.9	-10.3
St. Joseph.....	59,600	56,083	3,517	6.3	9,183	6,473	41.9	-4.3
Van Buren.....	67,300	66,814	486	0.7	8,453	6,108	38.4	-6.6

SOURCE: State of Michigan Department of Management and Budget and U.S. Bureau of the Census, 1986 County Estimates.

NOTE: Battle Creek MSA is Calhoun County; Benton Harbor MSA is Berrien County; Kalamazoo MSA is Kalamazoo County; and Muskegon MSA is Muskegon County.

\*1986 population figures are revised estimates.

**Table A-12**  
**West Michigan (4 MSAs) Statistics<sup>a</sup>**  
(Adjusted for seasonal variations)

Measure	1988 first quarter	1987 fourth quarter	Percent change fourth to first	1987 first quarter	Percent change first to first
Employment:					
Manufacturing . . . . .	159,450	158,160	0.8	155,720	2.4
Nonmanufacturing . . . . .	307,470	302,090	1.8	292,650	5.1
Government . . . . .	68,530	68,930	-0.6	67,110	2.1
Total . . . . .	535,450	529,180	1.2	515,480	3.9
Unemployment:					
Number unemployed . . . . .	41,290	36,180	14.1	40,520	1.9
Unemployment rate . . . . .	7.0	6.1	0.8	7.0	-0.0
Local indexes:					
Help-wanted ads . . . . .	275	264	4.2	245	12.2
Leading indicators . . . . .	139	143	-2.6	135	3.0
Local components:					
Average weekly hours . . . .	41.0	41.3	-0.7	41.3	-0.6
UI initial claims . . . . .	2,125	1,911	11.2	2,111	0.7
New dwelling units <sup>b</sup> . . . . .	7,634	7,706	-0.9	6,481	17.8

SOURCES: W.E. Upjohn Institute for Employment Research Based on dwelling data from F.W Dodge Division, McGraw Hill Information Systems Company, ad counts from five daily newspapers and employment data from Michigan Employment Security Commission. National components in Table A-3.

a. The four West Michigan Metropolitan Statistical Areas are Battle Creek, Grand Rapids, Kalamazoo and Muskegon.

b. New dwelling unit data are seasonally adjusted annual rates.

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